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CHINESE REFORM
Market forces put to the test
Page 5

US-UK pact clears way for sale of Heathrow air slots

By Paul Betts in London, Peter Riddell in Washington and Nikki Tait in New York

THE AIR service agreement concluded yesterday between the US and the UK clears the way for United Airlines and American Airlines to take over the Heathrow routes of two other US carriers – Pan American and Trans World Airways respectively.

The agreement comes soon after Pan Am, the cash-strapped US carrier, was due to repay around $100m drawn down under a $150m short-term loan facility from United Airlines and Bankers Trust, the US investment bank. It missed the repayment, due on Friday night, having failed to receive $290m from United for the sale of slots at London's Heathrow airport.

Yesterday Bankers Trust said the repayment would now be rescheduled until around April 3. This revised arrangement had not been formally approved, but Pan Am representatives were due to meet the lenders yesterday afternoon.

Pan Am, whose ready cash had fallen to around $30m when it filed for Chapter 11 in January, said it was "delighted" by the agreement.

British airlines will also gain significant opportunities on transatlantic routes worth about £200m ($384m) a year, Mr Malcolm Rifkind, the UK transport secretary, said. The UK won several significant concessions for British airlines because of US anxiety to ensure the completion of the transfer to United of Pan Am's Heathrow routes.

British Airways, the UK flag carrier, said the pact provided some "tactical advantages". However, it warned that recent UK government decisions to throw Heathrow open to all airlines and uphold a Civil Aviation Authority ruling to take away two BA landing slots in Tokyo would damage its prospects and reduce future profitability.

It said it would be forced to consider additional job reductions and cuts in marginal routes.

Mr Rifkind said the pact would bring the UK a wide range of new opportunities to compete in the US market.

Immediate benefits would include the designation of a second British carrier to operate to the US from Heathrow.

Virgin Atlantic – which yesterday unveiled 15 per cent fare cuts on its US services – has already applied for rights to serve the US from London's leading airport.

After resisting initially, the US also agreed to limit the growth of US traffic to and from Heathrow for three years. The limits will be fixed on the current Pan AM and TWA traffic levels for this summer season.

The two countries also agreed to start talks within three months aimed at liberalising joint markets, allowing airlines of both sides to compete on equal terms for transatlantic and internal traffic without the limitations of the present bilateral arrangements.

World News

Serbia nears state of emergency as protests grow

Serbia's ruling communists drew up legislation aimed at introducing a state of emergency after thousands of anti-communist demonstrators again took to the streets of Belgrade. Page 20

Yeltsin victory

The Soviet parliament abandoned an attempt to condemn Russian leader Boris Yeltsin for fear that the move would only increase his popularity. Page 20

Spanish reshuffle

Political power in Spain appeared to move decisively towards the right as prime minister Felipe González used a long-delayed cabinet reshuffle to replace his former left-wing deputy. Page 20

Papandreou trial

The trial of former Greek prime minister Andreas Papandreou and three ex-cabinet ministers on corruption charges opened in Athens. As expected, Mr Papandreou did not appear. Page 4

Slovaks protest

Tens of thousands of Slovak separatists shouting "Enough of Prague" staged one of their biggest demonstrations for independence from the Czechoslovak federation in Slovakia's capital, Bratislava.

Salvador trend

El Salvador's ruling right-wing party were ahead in Sunday's elections but left-wingers substantially raised their share of the vote, according to unofficial results.

Angola accused

US-backed Unita rebels accused the Angolan government of using chemical weapons against guerrilla-held territory.

Clearing the decks

India's parliament rushed through an interim budget in a clearing up of business before elections. Page 20

Romanian boycott

Leaders of Romania's main opposition parties boycotted a meeting between top parliamentarians and President Ion Iliescu, objecting to the framework proposed.

Avalanche deaths

Four Spanish soldiers from a specialist army ski unit died and others were missing after they were hit by a Pyrenees avalanche.

Japan to pay up

Japan, the single biggest contributor to Unesco, recently agreed to pay its delayed dues, the agency's director-general, Federico Mayor, said.

Military dominate

Military officers will dominate a Thai national assembly to replace one dissolved after the February coup, the army commander-in-chief said.

Welcome guest

Italian foreign minister Gianni de Michelis arrived in Beirut for talks on peace and aid, the first western foreign minister to visit Lebanon in eight years.

Honour restored

Prince Bernhard, 79, father of Holland's Queen Beatrix, forced to stop wearing his military uniform 15 years ago over the Lockheed bribery scandal, has had the honour restored.

Quadruple murder

A former US soldier and his wife and a German couple were found murdered by gunfire in Florstadt, central Germany.

Human error blamed

Human error causes more aircraft accidents than mechanical failure and airlines should pay as much attention to training as they do to technology, air safety experts told an international convention in Manila.

Business Summary

Fujitsu takes 75% stake in BT products division group

Fujitsu, Japanese technology group, acquired a 74.9 per cent stake in the products division of Fulcrum Communications, British Telecom's last UK-based manufacturing operation.

The sale is part of BT's strategy to reduce costs and return to its core telecommunications services business and also gives Fujitsu an important point of entry into the European telecommunications equipment market. Page 21

INDIA'S parliament rushed through an interim budget in a clearing up of business before its dissolution and fresh elections. Page 20

MARKETS: Frankfurt retreated in an atmosphere suggesting investors were not in a hurry to make positive decisions about the market as the DAX closed 36.51, or 2.3 per cent, lower at 1,565.78. Paris declined as the correction, which began late on Friday, continued, with the CAC 40 index dropping 31.44 or 1.7 per cent to 1,796.70 on declining turnover. In New York, a quiet morning on Wall Street saw US equities trading in a narrowly mixed range. At 2 pm, the Dow Jones Industrial Average was off 5.70 at 2,949.50 on moderate volume. In Tokyo, buying by individuals helped share prices to remain firm on volume down to 550m shares from Friday's 850m. The Nikkei average closed 61.85 up at 26,669.37. World Stock Market reports, Back page, Section II

MOET Hennessy Louis Vuitton, French drinks and luxury goods group, is expected to announce sale of its Lanson champagne brand to Marne & Champagne. Page 21.

SECOND attempt to merge Christiania Bank, Norway's second biggest bank, and Realkreditt, the country's biggest credit institution, has failed. Page 21

BANCA Nazionale del Lavoro (BNL), Italian bank caught up in the scandal over $4bn of fraudulent loans to Iraq made by its Atlanta branch, has been ordered by the US Federal Reserve Board to increase its US reserve deposits to cover deficiencies arising from the affair.

KROSNO glass works, one of Poland's first five companies privatised at the end of last year, is planning to sack around a fifth of its 7,000 employees to avoid bankruptcy. Page 4

CZECHOSLOVAKIA, seriously hurt by shrinking Soviet oil supplies, wants to buy 10m tonnes of oil worth $3bn from Iran in exchange for machinery and heavy arms. Page 4

AEROSPATIALE of France has secured finance under a $315m contract to supply the Turkish telecommunications agency with its first commercial satellite. Page 4

EASTERN Germany: workers in the metal industry are to get the same basic wage as west German metal workers by 1994 in a deal likely to set a trend for future wage negotiations in former East Germany. Page 4

BANQUE Générale du Luxembourg lifted net profits by more than12 per cent to LFr1.26bn ($40m) for 1990, against LFr1.12bn in the previous 12 months. Page 22.

POSEIDON, gold and diamond producer, announced nearly doubled net profits of A$29.5m ($22.7m) for the six months to December on sales revenue up 26 per cent to A$133m. Page 23

NEW York Daily News: British publisher Robert Maxwell and nine unions at the strike-bound newspaper negotiated under a midnight deadline amid signs an accord was close to allow him to buy the ailing daily.

Major urges European harmony

By David Marsh in Bonn and Philip Stephens in London

Community-wide co-operation: prime minister John Major and chancellor Helmut Kohl in Bonn yesterday

MR JOHN MAJOR, Britain's prime minister, last night comprehensively abandoned the rhetoric of Mrs Margaret Thatcher, his predecessor, and urged harmony and consensus to build "a safe and prosperous (European) home."

Mr Major spelled out his vision of Britain working "at the very heart of Europe" in a speech designed to replace Mrs Thatcher's Bruges address two years ago as the cornerstone of British policy. That speech sparked a period of prolonged tension with Britain's partners by placing British sovereignty at the heart of the UK's European policy.

Mr Major emphasised that Britain remained determined to defend its national interests in Europe, but ministers agreed the style could not have contrasted more starkly with Mrs Thatcher's approach. It emphasised the risk of a renewed split within the Conservative party over Europe.

In his first speech outside the UK since becoming prime minister, Mr Major placed co-operation with Germany at the centre of the effort to drive forward Community-wide co-operation in the economic, political and military fields.

Extending his campaign for a more "caring" Britain, he injected the language of continental European Christian Democracy into UK conservatism by paying tribute to the "solidarity" of German society.

Mr Major, in a veiled rebuke of Mrs Thatcher's concentration on self-reliance, said: "Some people tend to see individualism and social responsibility as mutually exclusive. We make no such mistake."

In his address, at the Bonn headquarters of the Christian Democratic Union (CDU), Mr Major also heralded a new era of European parliamentary co-operation by saying CDU and Conservative deputies at Strasbourg should work in the same team.

Mrs Thatcher's supporters at Westminster stressed yesterday that she would be prepared to break publicly with her successor if she judged that Mr Major was ready to accept a significant loss of national sovereignty to the European Community.

Mr Major gave a warning, however, on the limits of European defence co-operation, saying that prospective strengthening of the nine-nation Western European Union must sustain the long-term US troop presence in Europe. "As we look at the wider world, the pivotal role of the US is clear – and in the last few dangerous months it has become clearer still."

Both in his speech, and at an earlier press conference after summit talks with Chancellor Helmut Kohl, Mr Major outlined basic agreement with the German approach on European monetary union. Bonn has recently angered the EC Commission by trying to slow down creation of a single European central bank to take over the role of the Bundesbank.

Mr Major repeated Britain's opposition to "imposition" of a single European currency but of a future British parliament to make a decision later" on a single currency.

> My aims for Britain in the Community can be simply stated. I want us to be where we belong – at the very heart of Europe, working with our partners in building the future
>
> The development of monetary co-operation must depend on much greater progress towards economic convergence between member states. The gaps at present are simply too wide. To rush forward and ignore them would be to risk economic failure
>
> – John Major

Mr Kohl said agreement with Britain on the strict conditions – economic convergence and sound money – for moving towards a common European central bank did not represent a snub to France. "We do not want to push anyone into a corner."

However, one senior Bonn Foreign Ministry official last night, reporting on talks with his British counterpart during the day, said there was often more common ground on international issues with Britain than with France.

Mr Kohl, who spoke of the "unusually friendly atmosphere" of the talks, yesterday heaped thanks on Mr Major for Britain's performance in the Gulf war.

Background, Page 4; Editorial comment, Page 18

indicated considerable accord with the measured pace at which Germany is now negotiating monetary union with its EC partners. Mr Major was "confident" that the inter-governmental monetary conference "will work out arrangements which protect the right

Central banks fail to halt dollar's strong rise

By Peter Norman, Economics Correspondent, in London

CENTRAL bank selling of the dollar, inspired by the Bundesbank, yesterday failed to halt a strong rise in the US currency prompted by growing optimism on American economic prospects and worries about unrest in the Soviet Union and central Europe.

The dollar closed higher in London against all important trading currencies in spite of concerted intervention that also involved the Bank of England, the US Federal Reserve, the Bank of Canada and a series of smaller European central banks.

The intervention marked a notable turnround in the dollar's fortunes in just four weeks. Early in February, central banks were buying the currency to prevent it falling below DM1.445 to new lows.

In London last night, it closed at DM1.5795, up 1.65 pfennigs from Friday's finish despite the sale of several hundred million dollars by the Bundesbank alone. Sterling lost about 2 cents from its pre-weekend finish to $1.851 in London last night.

The Bundesbank was the driving force behind yesterday's dollar sales. With unrest growing in the Soviet Union, intensifying economic problems in eastern Germany and the overall German current account moving into deficit, the bank apparently feared that the US currency's strong advance would foster disorderly market conditions and undermine the stability of the D-Mark and its own ability

Continued on Page 20
Markets, Second Section

Baker to meet Palestinians but denies PLO contacts restored

By Hugh Carnegy in Jerusalem and Tony Walker in Cairo

MR JAMES BAKER, US secretary of state, today meets 12 senior Palestinians from the Israeli-occupied territories in the most important contact between Washington and Palestinians since the Gulf crisis erupted in August.

Mr Baker denied that the meeting constituted a restoration of US links with the Palestine Liberation Organisation.

His arrival in Israel coincided with an upsurge of violence which claimed six Israeli and six Palestinian lives in 48 hours.

The US broke off contact with the Palestinians last year following a PLO faction's guerrilla attack on Israel. The split was deepened by the strong support for Iraq during the Gulf crisis given by the PLO and its chairman, Mr Yassir Arafat.

In Tunis, the PLO gave official backing to the Baker meeting at which the Palestinians will be headed by Mr Faisal Husseini, widely regarded as Mr Arafat's senior representative in the territories. The talks are expected to take place at the home of the US consul in Jerusalem.

Mr Baker said in Cairo, where he met Egypt's president Hosni Mubarak, that the meeting did not represent the reopening of dialogue with the PLO.

Mr Baker said he would be meeting Palestinians who had previously engaged in talks with the US government and with Israel. He strongly criticised the PLO over its support for Iraq, but pointedly did not close the door to future contact.

One of the Palestinian group, Mr Saeb Erakat, an academic, said of Mr Baker's denial: "I don't know who he is trying to fool. Baker knows this meeting would not have taken place without the PLO. They have picked the names."

The Islamic fundamentalist movement Hamas, which is independent of the PLO, said yesterday that Palestinians should not meet Mr Baker.

It appears worries by pro-PLO leaders that they could be excluded from post-Gulf war peace efforts overcame persistent hostility towards Washington.

Mr Erakat said the group would press Mr Baker to apply the same pressure on Israel to respect UN resolutions as was applied against Iraq over its occupation of Kuwait.

Mr Yitzhak Shamir, Israel's prime minister, refused yesterday to accept the principle of ceding land for peace, the formula favoured by the US, in advance of Mr Baker's visit.

Mr Baker had dinner last night with Mr David Levy, the foreign minister and will meet Mr Shamir today.

Shortly before Mr Baker's arrival from Cairo, Israeli troops shot dead six Arab gunmen who had crossed from Jordan. It was one of the worst incidents of its kind on the Jordanian border for years. Three Israeli soldiers were wounded.

Two Israel soldiers were later killed and two injured when a Palestinian drove his car into a foot patrol in Gaza. On Sunday a Palestinian stabbed to death four Israeli women in Jerusalem.

The Middle East, Page 2

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Bliss for the citizens of North Korea's anti-Utopia

It is not so much what they are taught that maintains North Koreans' faith in their Great Leader, President Kim Il Sung – it is what they are not taught

Page 6

MARKETS

STERLING
New York lunchtime: $1.8475
London: $1.851 (1.872); DM2.9225 (2.925); FFr9.975 (9.9875); SFr2.5375 (2.5525); Y255.5 (255.0); £ Index 93.4 (93.6)

GOLD
New York: Comex Apr $366.4
London: $366.05 (370.40)

N SEA OIL (Argus)
Brent Apr $18.55 (18.85)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime: DM1.582; FFr5.39; SFr1.372; Y138.3
London: DM1.5795 (1.583); FFr5.38 (5.325); SFr1.3705 (1.364); Y138.0 (136.2); $ Index 63.2 (62.8)
Tokyo close: Y138.07

US lunchtime rates
Fed Funds $6\frac{1}{16}$%
3-mo Treasury Bills: yield: 6.08%
Long Bond: $95\frac{13}{32}$; yield: 8.28%

STOCK INDICES
FT-SE 100: 2,459.1 (+4.1)
FT Ordinary: 1,956.2 (−2.5)
FT-A All-Share: 1,196.98 (+0.4%)
New York lunchtime: DJ Ind. Av. 2,951.24 (−3.96); S&P Comp 374.33 (−0.62)
Tokyo: Nikkei 26,669.37 (+61.85)

LONDON MONEY
3-month interbank: closing $12\frac{13}{16}$% ($12\frac{11}{16}$)
Life long gilt future: Jun $92\frac{7}{32}$ ($92\frac{15}{32}$)

THE MIDDLE EAST

OIL PRODUCERS MEET

Saudis press for output cuts to be modest

By Deborah Hargreaves in Geneva

SAUDI ARABIA pressed hard yesterday for voluntary and modest oil production cuts by members of the Organisation of Petroleum Exporting Countries at meetings in Geneva.

The kingdom is discussing only cuts in output down to a ceiling of 22m to 22.5m barrels a day (b/d), according to one Opec delegate.

Opec members are producing at a rate of 23m b/d but demand is expected to fall in the second quarter. The delegate said that Saudi Arabia, which is the leading producer in Opec, is not interested in cutting its output much below 8m b/d from its current level of 8.3m b/d.

A Saudi official said the kingdom would not consider producing oil on behalf of Kuwait, but would assist in phasing Kuwaiti production back into the market when the emirate is able to produce again. Kuwaiti oil is not expected to reach the export market for at least a year, by which time, he said, demand for Opec oil may be substantially higher. He also said Saudi Arabia would provide oil products for Kuwait's own use.

Saudi Arabia's demand forecasts are the most optimistic of Opec's 13 members and the kingdom expects a call on Opec oil of 22.45m b/d in the second quarter compared with the producers' lowest estimate of 20.9m b/d. Opec ministers heard the Opec secretariat's forecast of demand for Opec oil of 21.41m b/d in the three months beginning in April.

Saudi Arabia's more optimistic assessment of second quarter demand is based on an expectation of substantial restocking by oil companies, a further drop in output by the Soviet Union and the possibility that the US economy could start to pick up.

At the same time, Saudi Arabia has said it will not immediately sell its floating stocks of oil. Between them, Saudi Arabia and Iran hold some 80m barrels of oil in floating storage. The official said Saudi Arabia would sell these when market conditions are right and the kingdom is relying on Iran to pursue a responsible marketing policy.

Other Opec members believe production cuts should be more severe and Mr Jibril Aminu, Nigeria's oil minister, speaks for many smaller producers when he says output should be cut to 21m b/d to support prices. However, Saudi Arabia has indicated that, while $21 a barrel is a "reasonable" price, "we will not panic as some people do when the price moves down by $1 to $2 a barrel".

Saudi Arabia wants to see the burden of production cuts shared evenly among Opec members and since Iraq and Kuwait are currently not producing for export, these should be modest cuts. Iraq has sent no delegates to Geneva and Kuwait is represented by its deputy oil minister.

The Opec secretariat's demand forecasts put the call on Opec oil at an average 22.56m b/d for this year. Ministers were meeting last night to discuss the possibility of output cuts, but the more important persuasion could occur during bilateral meetings.

As Saudi Arabia is resisting discussing production quotas, the meeting could be short with the more pressing decisions put off until ministers meet again in June.

Saddam's opponents paper over their differences

By Lara Marlowe in Beirut

SEVERAL hundred Iraqi opponents of President Saddam Hussein's regime began a three-day conference in west Beirut's Bristol Hotel yesterday, determined to convey an image of unity against the Iraqi dictator.

But the oneness proclaimed on the banner in the conference hall was superficial. Western-educated intellectuals said they wanted a democratic, non-sectarian Iraq. Kurdish leaders seemed willing to set aside demands for an independent Kurdistan only temporarily and pro-Iranian Shia Moslem clerics said they believed the majority of Iraqis wanted an Islamic Republic.

All shared the fear that the US preferred President Saddam's continued rule to the chaos of revolution.

Meanwhile, the uprising in Iraq continued. Aides to Ayatollah Mohammed Taqi al-Mudarresi, the leader of the Islamic Labour Movement – a Shia group with a wide following in southern Iraq – claimed the Iraqi cities of Nasiriyah, Amara, Najaf, Rania, Arbil and Halabja were entirely under the control of the opposition.

Fighting continues in Basra, Kut, Kerbala, Dialla, Khallis, Falugia, Kirkuk, Gallalla, Darbandikhan and Kadmiyeh. Other delegates to the conference said that two impoverished suburbs of Baghdad, al-Mestel and al-Thawra – also known as "Saddam City" – were in open rebellion.

Ayatolla Mudarresi, who appealed to the Pope to "prevent Saddam's criminal regime from massacring the Iraqi people", said the Iraqi army had not yet used chemical weapons against the insurrection. Iraqi troops outside Najaf had threatened to fire chemical artillery shells against the city if its population did not succumb to government rule, the ayatollah said.

The opening of the congress can only be called chaotic. There were 250 opposition members invited but some 400 showed up.

The 17 groups belonging to the Joint Action Command for Iraqi Opposition were joined by more than a dozen other anti-Saddam parties.

Shia clergy in flowing robes and turbans filled at least a quarter of the seats in the red conference hall with photo murals of tropical sunsets. Out of respect for them, the bar in the lobby of the Bristol Hotel displayed only 7-Up and Pepsi bottles. The conference started several hours later than scheduled with a *muezzin* chanting verses from the Koran.

"The press is paying too much attention to those with turbans," said Mr Yussef al-Durrah, a delegate from the Democratic Movement, which is based in London. "The Islamic leaders are one tendency among many. After 22 years of dictatorship, the Iraqi people do not want a one-party system. When the regime is destroyed, there will be elections and democracy. The day there are jobs and food in Iraq, the mosques will be empty."

But Mr al-Darrah's assumption was not shared by Ayatollah Mudarresi, who had travelled from Tehran. "The west fears that the uprising in Iraq will be linked directly to Iran. But each revolution has its own identity," the ayatollah said. "I have called for an Islamic Republic, but not by force. If the people choose this way, I am with them."

Among the 17 official groups, two Saudi-sponsored factions, the Sunni Islamic Movement led by Mr Mohammed al-Alussi and the Independent Nationalists, rubbed shoulders with Communist, Socialist, Kurdish, pro-Syrian and pro-Iranian representatives.

A delegate who did not wish to be named expressed concern at the presence of two additional groups which he said attended at the insistence of Saudi Arabia and western powers: the Nationalist Iraqi Constitution of Salah Omar Ali and the Free Iraqi Congress led by Saad Saleh Jaber.

The delegates claimed that the CIA is running two camps in the Saudi desert near Dhahran to train Iraqi prisoners and escapees. General Hassan Naqib, a former deputy chief-of-staff of the Iraqi army who has lived in Damascus for the past 14 years, is said to have visited these camps. General Naqib recently gave a press conference in Riyadh and appears to be supported by moderate Arab countries and western governments as a potential successor to Mr Saddam.

United in Beirut: from left, Ayatollah Mohammed Taqi al-Mudarresi of Islamic Labour Movement; Jalal Talabani of National Kurdish Union; and Aziz Mohammed of the Iraq Communist party

Baker in pledge on Egypt aid

By Tony Walker in Cairo

MR James Baker, US Secretary of State, yesterday pledged further economic backing to Egypt, and hinted the US would use try to persuade the IMF to soften terms for an economic reform programme now reaching completion.

Mr Baker said the US was "encouraged" by Egypt's efforts to reform its economy. Egypt has asked its Western friends to intervene with the Fund, which is insisting on relatively tough deficit-cutting conditions, energy price rises and a sales tax before it agrees to endorse Cairo's reform efforts.

Egypt, which recently partially floated its pound and introduced price rises, believes it has met most IMF terms for a standby agreement. But it is balking at steps it believes will further burden lower and middle income groups.

Cairo wants a speedy agreement with the IMF to open the way for a Paris Club rescheduling of some $10bn (£5.2bn) debt, including arrears. Egypt's total foreign indebtedness, after the US and Gulf states decided to forgive some $14bn in debts, stands at about $36bn.

KIA delays drawing up proposals for borrowing

By David Owen

A BOARD meeting of the Kuwait Investment Authority (KIA) that was due to be held in London today or tomorrow has been cancelled, according to senior Kuwaiti officials.

The officials attributed the decision to the fact that "all ministers" including Sheikh Ali Khalifa al-Sabah, the finance minister, were now in Kuwait and would be asked to "stick around" there for a time. This may be linked to the sensitivity of the political situation in the emirate, where members of the ruling al-Sabah family have slowly returned to a mixed reception.

The cancellation seems certain to delay the formulation of plans for Kuwait to borrow up to $20bn from international banks to help pay for the country's reconstruction.

Mr Abdullah al-Gabandi, KIA managing director, said yesterday that "no decision on these issues" had been taken. "People could forecast that Kuwait is going to go to the market," he said, "but as for decision-making we are not close to anything like that". He added: "There are so many things that are not clear to us."

Another Kuwaiti investment official said, however, that a decision had been made not to liquidate assets, "so the only other way to do it is to borrow". He said that "a dozen institutions had come through the door so far". "We are meeting a lot of people."

Bankers have expressed doubts about Kuwait's ability to raise rapidly a sum as large as $20bn even if it is secured against the state's extensive foreign holdings.

Some Kuwaiti officials also appeared yesterday to be scaling down their aspirations. "Unless our government shows some clear sign of leadership, they will have to reduce their borrowing ambitions," said one.

Mr al-Gabandi confirmed that consideration is being given to the consolidation of some of Kuwait's banks and investment houses (the so-called "three Ks"). "The concept of mergers among the banks and investment companies was there before the invasion," he said. "But what is going to be merged with what is not yet known."

"Everybody believes we have a golden opportunity to restructure now," Mr al-Gabandi added. "But how we do it needs to be studied."

Red tape slows emirate's return to normal

By Michael Field in Kuwait City

THE work of restoring Kuwait's essential services is being held up mainly by bureaucratic difficulties involving the import of labour and goods from Saudi Arabia, according to a senior Kuwaiti official.

What little electricity there is in Kuwait at present is coming from private generators, though officials have been saying for three or four days that the restoration of power supplies could happen within 24 hours.

It is now thought that there will be no power, or water from desalination plants run from power stations, before the end of the week.

The problems with the Saudi authorities mainly concern the movement of foreign labour from the kingdom to Kuwait, officials said.

A contractor who should be working on the Al-Zor power station in the south of the emirate has had some of its workers and truck-loads of equipment held up at the Khafji border post, because the workers have been carrying only their iqamas (residence permits) and not their passports, which in Saudi Arabia are normally held by a person's employer.

"Phone calls have been made and requests submitted" to the Saudi Government on this and similar problems, an official said. "But it's a problem of ordinary Saudi rigidity. There's a feeling that if you dispense with the rules you undermine the prestige, the job, of the officials who have to implement them."

The work to be done to restore electricity and water supplies is not great. The 2,500 MW Al-Zor power station is intact and it needs only a hundred or so splices to be made to broken power lines connecting it to the grid for electricity to be brought to most of the emirate.

Another plant, Shuaiba South, has been much more heavily damaged but it should be possible to bring one of its 130 MW units into operation before work on the Al-Zor transmission lines is completed.

Once this is done, not only will the station be able to feed electricity into the grid directly, it will be able to pump fuel oil from the nearby Ahmedi refinery to the Doha power station in the north of the state.

The Doha plant, though damaged, has some capacity for both power generation and water desalination.

Iran voices fears over Iraqi strife

By Our Middle East Staff

IRAN has again voiced its concern over the political turmoil in neighbouring Iraq. President Ali Akbar Hashemi Rafsanjani said yesterday that he feared a "massacre" of the Iraqi people and American designs on the country.

Tehran Radio said that President Rafsanjani also warned that Iraq's internal developments "could lead to disaster".

Mr Rafsanjani, worried that the turmoil could lead to Iraq's dismemberment or prompt the allied forces to stay longer in Iraq, has called twice since Friday for compromise between Baghdad and the opposition to head off an all-out civil war.

"I hope [the unrest] would ultimately lead to the sovereignty of the Iraqi people and benefit Islam and Moslems," Tehran Radio quoted the president as saying yesterday.

But he added: "The avid eyes of world arrogance [the United States] are now fixed on Iraq. The importance of Iraq's oil, its geopolitical situation in relation to the Arab countries, the Persian Gulf and Israel have attracted the attention of world arrogance."

Iran has meanwhile ruled out keeping Iraqi aircraft flown to its territory during the Gulf war as part of a $900bn reparations claim against Baghdad. "The idea is misleading," Iranian First Vice-President Hassan Ebrahim Habibi said at the end of a three-day visit to Turkey.

Washington cancels travel warning

THE US State Department yesterday cancelled a notice warning Americans travelling anywhere in the world of the potential for Iraqi-sponsored terrorist activities, AP reports from Washington.

The warning had been issued as the allies started the air war against Iraqi forces. But the US said tensions still remained in parts of the Middle East, Africa and South Asia, despite a Gulf ceasefire.

US and EC to confer on Mideast diplomacy

By David Buchan in Brussels

THE US and the European Community will today brief each other on their respective Middle East diplomacy of the past week, and consult on the next stage of talks on regional security which are likely to widen to include Iran.

Mr Robert Kimmitt, the US under-secretary for political affairs, is to brief Nato allies in Brussels this morning, and then political directors of the 12 EC member states later in Luxembourg, on the results of the the Middle East tour by Mr James Baker, the US secretary of state. The Luxembourg presidency will report to the US on last week's EC ministerial mission to the Middle East.

Officials of Luxembourg, which holds the EC presidency, said yesterday that early talks between the EC and Iran were expected; they were speaking after Mr Jacques Poos, their foreign minister, had received a telephone call from Mr Ali Akbar Velayati, the Iranian foreign minister. In their talks with Arab leaders last week, the EC troika of the Luxembourg, Dutch and Italian foreign ministers found mixed feelings about Iran but agreement that it could not be left out of the security equation.

Most EC leaders are as absorbed by the effect of the Gulf crisis on the Community as the effect on the Middle East and are more than ready to let the US try its hand first in peace-making. But diplomats believe that, while the US role in the Gulf and the Arab-Israeli dispute was indispensable, the EC had a prime role in North Africa and the Mediterranean.

Mr Kimmitt also presided yesterday over a meeting in Luxembourg of the 27 countries involved in the Gulf Crisis Financial Co-ordination Group.

Palestinians bear brunt of Kuwaiti anger

The very existence of much of the community is under threat, writes **Victor Mallet**

BEFORE the Iraqi invasion of Kuwait last year, Palestinians were as much a part of the country's social fabric as the Kuwaitis themselves.

It was here that Mr Yassir Arafat, leader of the Palestine Liberation Organisation, spent time in his youth, and it was Kuwait which stood out in the Arab world as the most generous contributor to the Palestinian cause.

Kuwait granted hardly any of its 300,000 Palestinian residents the jealously-guarded right of citizenship, but for many of them the Palestinian suburbs of the capital were their only home.

Today, the very existence of much of the Palestinian community in Kuwait is under threat. Palestinians have become the victims of the Iraqi occupation and Mr Arafat's vocal and ill-considered support for Saddam Hussein.

Most Kuwaitis, whether they stayed in the country or fled after the invasion, are convinced Palestinians collaborated with the Iraqis. As one Kuwaiti TV cameraman put it: "Ninety-five per cent of them collaborated and 5 per cent were with the Kuwaitis."

The reality is not so simple. Some were arrested by the Iraqis. Some tried to survive by setting up market stalls and inevitably found themselves selling goods to Iraqi soldiers. Some helped to keep the country going as doctors, firefighters or businessmen.

Mr Sami Khashram, the Palestinian manager of the Seven-Up bottling plant, worked throughout the occupation with Mr Adel Behbehani, a young member of the Kuwaiti merchant family which owns the operation.

"Mr Behbehani's a Kuwaiti and he's been almost living with me for the past eight months," said Mr Khashram. "The leaders make mistakes," he added in a reference to Mr Arafat, "and the people have to pay."

Mr Behbehani's uncle and father were in charge of the bottling operation, but the first was abducted by the Iraqis and is still being held in Baghdad. The second was out of the country. Mr Behbehani and Mr Khashram, short of staff and spare parts, were left to run things how they could. "We had to take a lot of decisions, me and Mr Sami," said Mr Behbehani.

They could hardly have refused to serve the Iraqis who came to them for soft drinks. "Iraqi officers used to come and say 'I want 7-up,' and you have to give it, or they could blow the place up," said Mr Khashram. "They paid for it. I don't think these things should be taken as collaboration."

The Iraqis deliberately tried to drive a wedge between Palestinians and Kuwaitis, and they seem to have succeeded, even at the cost of alienating some local PLO representatives.

A Palestinian journalist who has lived in Kuwait all his life said the Iraqis arranged a demonstration in support of President Saddam in the Palestinian district of Hawalli last year. Most of the participants were Iraqi militiamen and virtually none were Palestinians living in Kuwait.

Kuwaitis complain bitterly that Palestinians manned Iraqi road-blocks and insulted them. The journalist said he had never seen any Palestinians at road-blocks, although he knew of a few cases where this had happened – and all the Palestinians were members of the extremist, Baghdad-based Arab Liberation Front.

"No one talks about how many Kuwaitis were collaborating with the Iraqis," the journalist said. "There were a few Kuwaiti collaborators killed by the resistance."

The fact that Kuwait is a complex society may soften the blow for the Palestinians. Many Kuwaitis are of Iraqi or Iranian origin, and many are married to Palestinians or Iraqis. The stateless *bidoun* (without) community is also accused of collaboration. The urbanised Kuwaitis who stayed behind, including many Shia Moslems, are resentful of those with Saudi bedouin origins who ran away.

There is, however, no doubt that the majority of Kuwaitis feel bitter about the perceived disloyalty of the Palestinians in their midst. Sheikh Saad al-Sabah, the crown prince and prime minister, has assured Palestinians they will be treated fairly, but witnesses have seen Kuwaiti police beating suspected Palestinian collaborators.

Palestinians believe that at least 10,000 of their number will be expelled. The most secure are those, like Mr Khashram, who can prove they did not collaborate and who have the right connections in the upper echelons of Kuwaiti society.

When the Iraqis fled from Kuwait City before the allied onslaught, the office of Mr Arafat's Fatah faction of the PLO in the Jabriya district was burned down, and a sign erected which read: "Here is the centre of the traitors who collaborated against Kuwait". Palestinians who went to join in the liberation celebrations were often rebuffed, and their Kuwaiti friends advised them to stay at home.

Self-styled resistance fighters, and later Kuwaiti and Saudi soldiers, humiliated Palestinians at road-blocks throughout the city.

"Women have been asked to kneel," said the journalist. "People have been asked to curse Arafat. I'd curse Arafat from now to eternity, but it's hard to stomach from a Saudi bedouin."

Hundreds line up for bread at a Kuwait City bakery yesterday as large-scale distribution of essentials begins for the first time since the city was liberated

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Right wing claims win in El Salvador election

By Tim Coone in San Salvador

EL SALVADOR'S ruling right-wing Arena party yesterday claimed a narrow victory in Sunday's Congressional elections. Mr Arias Calderón Sol, the party's secretary-general, said Arena had won at least 42 seats in the 84-seat Congress and 100 out of 262 local governments.

The party's absolute majority in Congress still hangs in the balance, however, and the close result has highlighted a growing list of polling day irregularities.

Unofficial results based on voting returns give Arena around 48-50 per cent of the vote, followed by the Christian Democrats and the left-of-centre Democratic Convergence (CD). The CD has jumped to second place in the capital, San Salvador, displacing the Christian Democrats and winning eight to 10 seats overall in Congress.

Mr Rubén Zamora, the CD leader, said: "It has been a triumph despite the difficulties we have faced."

These ranged from the CD's emblem failing to appear on ballot papers in the town of Santa Tecla, to the late opening of polling stations in areas of strong CD support and large numbers of people being unable to vote due to their names not appearing in the electoral roll, despite having been registered.

The Central Electoral Council apologised for the Santa Tecla incident, attributing the oversight to "human error." The question being asked by the opposition, though, is whether there has been a deliberate attempt to influence the results sufficiently for Arena to cling on to its majority in the assembly.

Another CD leader said: "We shall challenge the results in every case where we can prove there has been fraud."

The Organisation of American States observer team, in an initial report on the elections, criticised the inadequacy of the electoral register, which caused much confusion on polling day, especially in the capital's working class suburbs of Méjicanos and Soyapango. Many people were sent to the wrong polling station, where some had to queue under the sun for four to five hours.

So abstention was high at about 50 per cent but, according to Mr Zamora, "between 8 and 15 per cent of people were unable to vote because they did not appear on the register where they were supposed to vote. These were forced abstentions."

His estimates have been independently confirmed by foreign observers of the polls, including a team of British observers.

The country's left-wing FMLN guerrillas warned that their war against government troops would continue after the expiry of the election truce last night.

Arena party president Armando Calderón and his wife Elizabeth celebrate victory

Canada searches for political way forward

By Bernard Simon in Toronto

QUEBEC'S ruling Liberal Party has set off the most intense period of national soul-searching in Canada's history.

Spearheaded by a well-organised group of Quebec nationalists, the French-speaking province's Liberals decided in Montreal, at a weekend convention, to accept as official party policy a report which demands a referendum on Quebec independence by late 1992, unless the province is handed virtually all powers affecting it now held by the federal government in Ottawa.

This tough line is likely to be confirmed within the next few weeks by a non-partisan commission headed by two of the province's most powerful business leaders, Mr Michel Belanger and Mr Jean Campeau. Like the new Liberal policy, the Belanger-Campeau report, due this month, is likely to reflect the prevalent view among Quebeckers that their relationship with the rest of Canada has brought more costs than benefits, and that they would be better off looking after themselves.

Federalists, though, are taking heart that the Liberals' new policy is probably not the final word on what Mr Robert Bourassa, Quebec's premier, will settle for in forthcoming negotiations on the future shape of Canada.

He indicated at the convention that he did not feel bound by all the elements in the party platform and that, in any case, his first preference was to find a way to keep Quebec in Canada. In his closing speech, he emphasised the economic benefits of the federation.

The premier said his cabinet would draw up Quebec's precise constitutional demands, after publication of the Belanger-Campeau report.

As it stands, the Liberals' platform is totally unacceptable to the rest of Canada. It would leave the federal government with sole control over only a common currency, management of the national debt, customs duties, defence, and the transfer of payments to the provinces. It would share responsibility in some other areas with the provinces.

Although the other nine provinces are eager to wrest more powers from Ottawa, they recognise that the scale suggested by Quebec would leave central government mortally wounded.

The rest of Canada has yet to produce any coherent alternative to Quebec's swelling demands since the collapse last June of the Meech Lake accord, which was to have resolved provincial status. But the rapid course of events in Quebec has persuaded many influential Canadians of the urgency of forthcoming negotiations if their country is to survive in a workable form.

A parliamentary group is studying ways to change the cumbersome amending formula of the 1982 constitution, which is widely blamed as the chief cause for the downfall of the Meech Lake accord. Also, Mr Brian Mulroney, federal prime minister, has directed a group of senior civil servants to review the structure of federal and provincial government.

The foundations laid by these groups for ensuing negotiations will very likely include a further devolution of powers to the provinces. Those looking for a unifying force in Canada are crossing fingers that the federal government will at least be able to negotiate more watertight jurisdiction in those areas which it would still control, and that the provinces can be nudged towards dismantling their non-tariff trade barriers.

Free trade no brake on Mexican car sales

Booming vehicle exports to US should survive liberalisation, reports **Damian Fraser**

FOR almost 30 years Mexicans were unable to buy foreign-made cars. By 1992, if a North American free trade agreement (Nafta) is enacted, they will be able to buy any car from anywhere within North America. But even so, many expect Mexico's car industry to carry on booming.

Much of the optimism is based on the rapid growth in Mexico's car exports in the past five years. From 1985 to 1989 Mexican car and component exports to the US increased by an average of 142 per cent a year, as the big three US car companies, in particular, took advantage of the country's low manufacturing wages (about a fifth of those of the US) and favourable in-bond production terms to shift output south. In 1990 Mexico ran a trade surplus of over $4bn in the car sector, which, after oil, was its second biggest foreign exchange earner.

However, Mexico still suffers from tariff and more substantial non-tariff barriers imposed by the US and Canada. Remove these, says Mr Miguel Angel Olea, the representative of Mexico's car parts industry in the North American Free Trade (Nafta) negotiations, and Mexico could double its output of cars to 1.5m cars a year by the mid-1990s.

Industry executives say the biggest non-tariff barrier is the so-called "two-fleet provision" of the US and Canada. This forces US car companies to produce compact, fuel-efficient cars in US and Canadian plants in order to meet government-mandated fuel efficiency averages for their total domestic production.

It particularly hurts Mexico's US-owned car plants, which are most efficient at producing compact fuel-efficient cars, but which often operate according to legal, rather than industrial logic. According to Mr James Womack, research director of the International Motor Vehicle programme at MIT, Ford imports most of the spare parts for the Mexican-assembled, fuel-efficient Tracer model from the US, so the car can qualify as domestic made. But it makes spare parts for some of its bigger, fuel-inefficient US-assembled cars in Mexico, so these can be counted as imports.

Other trade barriers are less pernicious, but will still form part of the Nafta talks. The Mexican government will fight for and should get the removal of remaining US tariffs on its car and truck exports.

More tricky to deal with will be informal trade restrictions imposed by US companies. Metalsa, a Mexican producer of chassis, for example, imports machinery from its US supplier on the condition that it does not export chassis back to the US.

The Mexican optimism about the impact of an FTA is tempered by the knowledge that its car sector is still highly protected and suffers from subsequent inefficiency.

While some export plants are the most productive in the world many of its domestic models could not compete in an open North American market. Mexico's annual domestic car production of 500,000 units is divided among 10 models – leading to small, generally inefficient production runs.

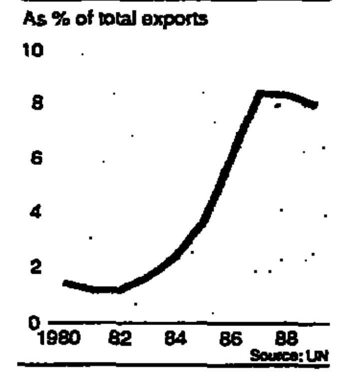
What actually happens to the Mexican car market depends on how fast restrictions on Mexican-bound exports cars and parts are phased out. The mainly domestically owned car-parts industry will try to maintain the 36 per cent local content law that Mexico's requires of its car producers. But eventually this will be replaced by a North American content rule, which stands at 50 per cent between the US and Canada.

However the big three US car companies may well press for an increase of local content above the 50 per cent level when and if a free trade act is made tri-lateral. This will then put the three US companies at an advantage over Mexico's other two car makers, Nissan and Volkswagen, which import more than half their parts from outside North America, and will thus still be compelled to pay Mexico's 10 per cent tariff on the parts.

It will be much more difficult to harmonise car exhaust emission standards between the three countries.

A free trade agreement will have to sort out Mexico's new foreign exchange restrictions on imports of parts and cars. At present for every dollar Mexican-based car companies spend on a finished car import (for which they pay a 20 per cent tariff) they have to generate $2.5 in exports, a ratio which falls to $1.75 in 1994. Canada has a similar rule where US exports to Canada have to equal roughly Canadian production. Unless Canada gives up its rule (which is unlikely), Mexico will fight to keep something similar.

Mexican car exports



MEXICO's trade deficit widened to $2.996bn in 1990, from $645m in the previous year. If receipts from *maquiladora*, or in-bond industries are included, Mexico managed a trade surplus of $639m.

Thanks to a rapid growth in imports – up 27.2 per cent in 1990 – the non-oil deficit was considerably worse than the government forecast in November. The government reckoned the non-oil deficit would be $11.4bn for 1990, some $1.7bn lower than the eventual out-turn. Had it not been for the higher than expected oil prices in the second half of 1990, Mexico's trade deficit would have been close to $6bn.

The government will take some cheer from the resilience of non-oil exports at the end of 1990, when the US economy went into recession. In the first half of 1990, manufacturing exports grew by just 0.8 per cent compared to the same period in 1989; in the second half they were up by 20.9 per cent, to give a growth rate for the year of 10.9 per cent.

Maxwell 'near NY deal'

BRITISH publisher Mr Robert Maxwell and nine unions at the strike-bound New York Daily News negotiated yesterday under a midnight deadline local time, amid signs that an accord was close to allow him to buy the ailing daily, Reuter reports from New York.

Mr Maxwell, who returned to the bargaining table yesterday after a quick trip to London, was optimistic about an agreement. "Some things are almost signed. Progress is being made. Let's hope we do it," he said.

The Tribune Company of Chicago, owner of the tabloid, has given Mr Maxwell until Thursday to complete a deal. Failing that, the company has threatened to close the 71-year-old newspaper, where unions have been on strike since October.

The paper has continued to publish, but circulation has dropped to less than half its pre-strike 1.2m copies a day.

Before he can complete a deal with the Tribune Company, Maxwell must first reach an agreement on staffing and costs with the unions.

Petrochemical blast in Mexico

AN EXPLOSION and fire tore through a petrochemical complex in south-east Mexico yesterday, injuring at least 50 people and killing an unknown number in the port of Coatzacoalcos, authorities said, Reuter reports from Mexico City.

"There was an enormous explosion that could be felt as much as 19 miles away," a Red Cross spokesman said.

The complex, called Pajaritos, is operated by the state oil company Petróleos Mexicanos (Pemex).

German metal workers to receive national pay deal

By David Goodhart in Bonn

WORKERS in east Germany's metal industry will receive the same basic wage as their west German colleagues by 1994 in a deal which is likely to set a trend for wage negotiations in east Germany.

The deal was criticised by some industrialists, who said wages would now be rising far faster than productivity. But it was praised by union leaders, who described it as a necessary step to hold skilled workers in east Germany.

A total of 300,000 people, many of them skilled workers, are expected to emigrate from east to west Germany this year and a further 500,000 east Germans will commute to work in the west (including west Berlin) by the end of the year, according to the official calculations.

The metal industry deal will give shop-floor workers 62.5 per cent of west German wages from April 1 (with 58.5 per cent for office workers) before rising to 100 per cent in three further steps. However, working hours and fringe benefits are likely to remain less favourable in the east, keeping the overall wages package 10 to 15 per cent below the west German average even after 1994.

Other sectors may move to harmonisation of basic wages a little slower than the metal industry, but in banking and insurance harmonisation has almost been reached already. The wages round in west Germany is hotting up with one-day warning strikes expected today in parts of the country called by the OTV public services union in pursuit of a 10 per cent pay claim.

The union, which has been offered 4.2 per cent, argues that public service workers have had no real wage rise since 1975 and that wages are 16.5 per cent below the private sector average. However, public sector employers have little money to spare in view of the larger contribution they are having to make to the east.

A settlement at a little over 5 per cent is expected in the west German public services, and in the metal industry negotiations which have just begun, although the recent decision to increase income tax for one year by 7.5 per cent may help push the settlement fractionally higher. The mine workers recently settled for 4.9 per cent.

Prices in Germany rose by 0.2 per cent in February over the previous month and 2.7 per cent over the same month last year, thanks mainly to cheaper petrol, David Goodhart writes.

The inflation rate is, however, expected to pick up sharply in the summer, after a recently agreed tax increase comes into effect, and analysts believe it will touch 4 per cent before the end of the year.

Polish privatised company cuts staff

By Christopher Bobinski in Warsaw

THE Krosno Glass works, one of Poland's first five companies privatised at the end of last year, is planning to sack around a fifth of its 7,000 employees to avoid bankruptcy.

The company, which exports more than 40 per cent of its output to western markets, has been badly hit by a big increase in energy costs this year while the exchange rate has remained stable and domestic demand has been slack.

Officials at the plant in south-eastern Poland yesterday confirmed that the first sackings would come in April and would eventually affect between 1,000 and 1,500 shop-floor and office staff.

On the country's debt, Mr Jan Krzysztof Bielecki, the prime minister, said yesterday that he was confident that decisions on Poland's debt reduction would be taken by western governments in April.

He was speaking after a meeting with Mr Jacques Attali, the president of the European Bank for Reconstruction and Development (EBRD), which is to help in integrating the post-communist countries and western Europe.

Polish officials yesterday were in Paris talking to a working group of the western countries to whom Poland owes $33bn (£17bn). An agreement on rescheduling Warsaw's sovereign debt payments runs out at the end of March.

The US, grateful for Polish support during the Gulf war, has been the most generous in urging a Polish debt reduction, but has met with little enthusiasm from either Germany or Japan. A realistic consensus, the US has told the Poles, now seems to centre on a 50 per cent writedown.

Poland had asked for an 80 per cent reduction and now efforts are aimed at finding ways of rescheduling the difference to permit Poland to maintain liquidity and to keep up with the remaining debt-service payments.

Spain seeks EC fund to boost economies of poorer members

By David Gardner in Brussels

SPAIN is calling on its partners in the European Community to set up a new compensation fund to boost the Community's poorer economies.

Madrid also wants more flexible financing under the existing structural funds, which are targeted on the Twelve's backward and declining regions.

In a paper to the intergovernmental conference (IGC) on political union, which is examining revisions to the Treaty of Rome, Spain has all but said that its price for eventual European economic, monetary and political union is a significantly bigger commitment by the EC to narrow the economic differences between its members.

Spain's move was greeted with dismay by the Luxembourg presidency of the EC which said it might hold up the treaty negotiations.

Spain is advocating the creation of what its paper calls an inter-statal compensation fund, modelled on Germany's federal mechanisms for reducing economic disparity between regions and similar to a weaker system operating in Spain itself.

The paper wants the EC to start setting up the compensation fund immediately. It would then become "the central instrument of economic and social cohesion" as the EC moved towards integration.

It describes the structural funds as wholly inadequate in terms of the Community's ambitions to move beyond the single market. The structural funds were set up in 1988 to help the southern and peripheral EC economies converge with their partners ahead of the 1992 programme. They were allocated a total of Ecu63bn (£44.7bn) for 1989-93.

Structural Funds as percentage of GDP

Member States	1988	1989	1993
Belgium	0.1	0.1	0.1
Denmark	0.1	0.1	0.1
Germany	0.0	0.1	0.1
Greece	1.6	2.3	2.9
Spain	0.5	0.6	0.8
France	0.1	0.1	0.1
Ireland	1.5	2.2	2.7
Italy	0.2	0.2	0.3
L'bourg	0.2	0.1	0.2
N'lands	0.1	0.1	0.1
Portugal	2.4	2.7	3.7
UK	0.2	0.2	0.2

Source: European Commission

Two thirds of this is spent in laggard regions with per capita income below three quarters of the EC average, and most of the other third is spent in regions in industrial decline.

Portugal, Greece and Ireland are wholly covered under the first criterion, as are large parts of Spain and southern Italy. The UK, Spain and swathes of Belgium and France benefit under the second heading.

A recent study of EC regional development by the European Commission makes clear that despite this effort, and after a period of sustained economic growth, convergence is proving a very long process.

The four less developed member states, Spain, Portugal, Ireland and Greece, grew an average 1.2 percentage points a year more than their partners in 1986-90, but in terms of GDP per capita they moved only from 66 per cent of the EC average to 69 per cent last year. Spain moved from 72 to 77 per cent while Greece fell back from 56 to 53 per cent.

Only if the four managed to sustain the growth differential of the past five years over the next two decades would they manage to reach a GDP per head of 90 per cent of the EC average, the commission concluded.

The Spanish paper emphasises, moreover, that recent growth in the poorer countries has often been at the expense of high inflation and rising current account deficits. The paper also calls for:

■ A substantial increase in the structural funds from 1994;

■ A more progressive system of EC taxation, based on "the relative prosperity" of member states;

■ Softer co-financing rules whereby member states have to match the EC's structural funding. Countries like Greece, in particular, have often been unable to come up with the matching capital, whereas Spain, which has received over a quarter of the outlays, has been able to press ahead faster;

■ The adoption of EC policy that was geared more towards recognising the economic differences between the Twelve, in particular on transport, environment, research and development, training and state aid, which should be made more readily available for backward areas.

An earlier draft of the paper, written by the Spanish treasury, backed a commission proposal to switch farm spending from price subsidies to direct income support to farmers, which would shift a large part of the Ecu32.5bn agricultural budget southwards.

It also called for changes in competition policy which made it harder for governments to aid industry in prosperous regions and easier in backward areas.

Papandreou corruption trial opens

By Kerin Hope in Athens

THE TRIAL on corruption charges of Mr Andreas Papandreou, the former Greek socialist prime minister, and three ex-cabinet ministers opened yesterday with a brisk dismissal of procedural objections raised by the defence.

As expected, Mr Papandreou did not appear. He rejects as a political plot his indictment by parliament for alleged complicity in a $200m (£104m) embezzlement scandal at the Bank of Crete. His former deputy prime minister, Mr Agamemnon Koutsogiorgas, objected to the composition of the 13-member tribunal and also demanded that one of the three prosecutors be withdrawn.

The presiding judge, Mr Vassilis Kokkinos, rejected both objections and also ruled against appointing a legal counsel for Mr Papandreou since he is being tried in absentia.

The trial is expected to last several months. It is being broadcast live by a private television station with close ties to Mr Papandreou's Panhellenic Socialist Movement (Pasok).

Police closed the boulevard outside the supreme court building where the trial is taking place, fearing large-scale demonstrations by socialist supporters. But only a few hundred Pasok members turned up, waving party flags and chanting "Hands off Andreas".

Sarcinelli makes parting attack

By John Wyles in Rome

MR MARIO SARCINELLI has marked his departure after nine years at the head of the Italian Treasury with one of the sharpest ever attacks by a public official on the capacity of Italy's political leaders to cure the country's central economic problem.

He makes it clear that his decision to resign and to take one of the vice-presidencies at the European Bank of Reconstruction and Development has been prompted by the collapse of his belief in the real determination of the Italian political class to cure Italy's persistently high public deficits and consequently ever rising public debt.

Between the lines can be read a great deal of bitterness at the conduct of the recipient of Mr Sarcinelli's departing thoughts – Mr Guido Carli, the 77-year-old Treasury Minister whose appointment in July 1989 appeared to symbolise the determination of the coalition led by Mr Giulio Andreotti to mount a more resolute attack on the public finances problem than its predecessors had done.

The former director general's letter, dated February 28, was published yesterday by the business weekly, Il Mondo.

Mr Carli's first budget, for 1990, finished with a L146,000bn deficit – L13,000bn above target – while the 1991 exercise may be even wider of the mark without a mid-term correction. In the meantime, total Italian public debt is hovering at around 100 per cent of gross domestic product.

Mr Sarcinelli's letter, which also draws attention to the scarcity of economic expertise in the Treasury, says that he had no alternative to resign because of his doubts "about the effective will of those in command to pursue the objectives believed to be indispensable for the salvation of the country."

He says that his failure to have Mr Carli's support for his opposition to the granting of full insurance cover for L15,000bn of credits to the Soviet Union and Algeria was the occasion, not the explanation for his resignation.

He reminds Mr Carli of an old saying in the Dutch Treasury that "the road to (financial) hell is paved with guarantees."

Prague and Iran plan oil-for-arms deal

By Leslie Colitt in Prague

CZECHOSLOVAKIA, seriously hurt by shrinking Soviet oil supplies, wants to buy 10m tonnes of oil from Iran in exchange for machinery and heavy arms.

The deal, worth $3bn (£1.5bn) at current oil prices, was disclosed by Prague officials after a visit to Tehran by Mr Jiri Dienstbier, the Czechoslovak foreign minister. Iran had expressed interest in bartering oil for industrial equipment, including power stations, and military supplies.

The potential deal, however, presents Mr Vaclav Havel, the president, with a dilemma. Mr Havel condemned his nation's flourishing arms sales – Czechoslovakia was the world's eighth largest weapons exporter in 1988 – as morally repugnant and halted them last year. But pressure has built up on the president from all sides to reverse the ban, which threatens to put 80,000 workers out of jobs in the Slovak republic alone.

Among the Czechoslovak industrial companies which are "technically insolvent", according to Mr Miroslav Zamecnik, an adviser to the finance minister, are several arms producers, including ZTS Martin in Slovakia, which makes T-72 tanks under Soviet licence.

"If we do not deliver tanks, someone else will – the US, France, Germany or Sweden," Mr Zenek Cerveny, deputy foreign trade minister, said yesterday. Mr Cerveny noted, though, that a political decision was required from Prague.

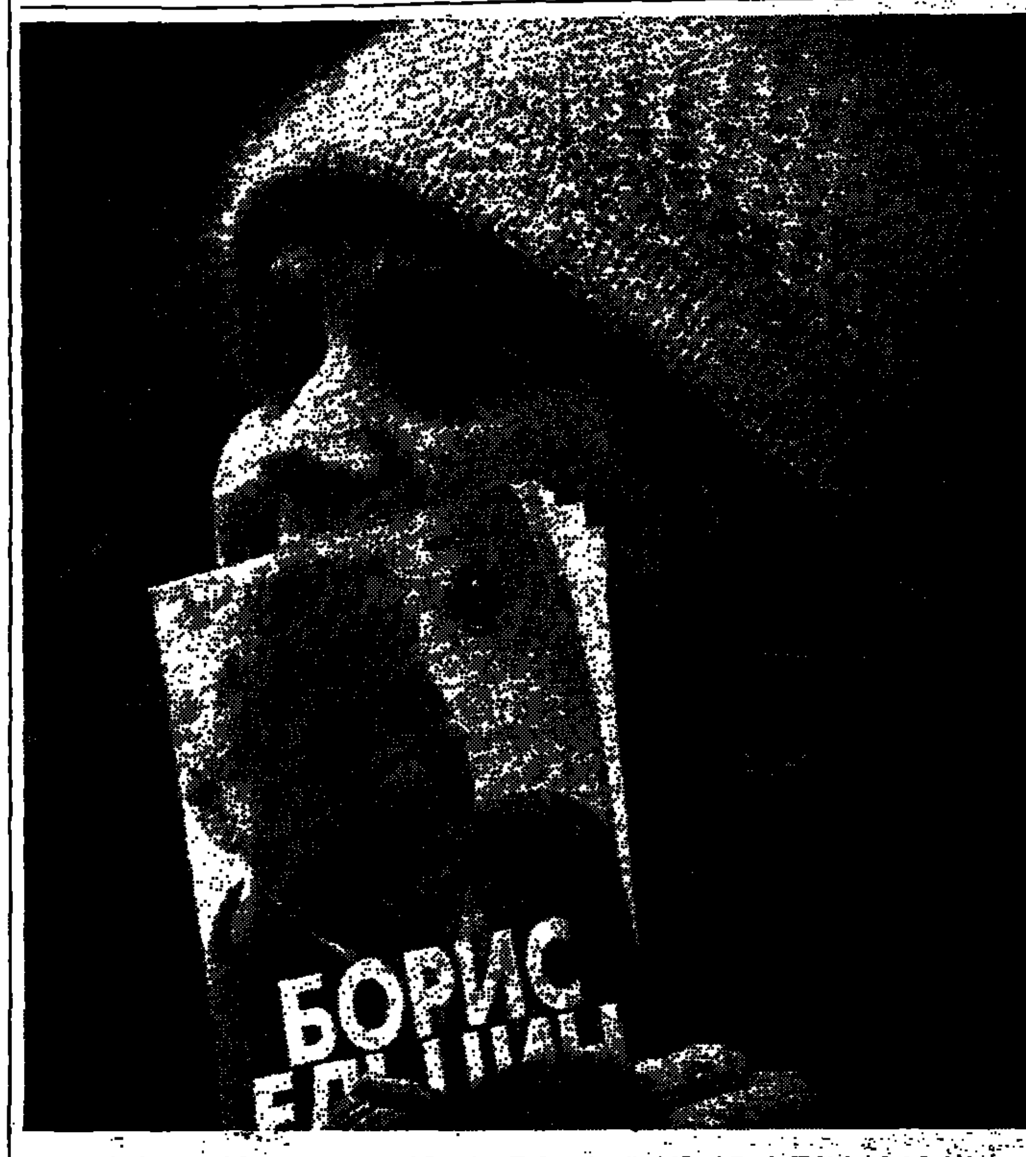
Prague initially intended to buy 3m tonnes of oil from Iran but Soviet deliveries, which amounted to 13.2m tonnes last year, were halved this year. Of the reduced amount, 5.5m tonnes are for hard currency and the remainder, looking increasingly doubtful, is part of a barter deal. A breach in Prague's ban on arms exports took place recently when the US bought several Tatra tank transporters. The Pentagon deployed many more of the reliable, air-cooled Tatras in Saudi Arabia in the war against Iraq. It was given the trucks by Germany which, in turn, had inherited them from east Germany.

Mr Jindrich Lacko, spokesman for the foreign trade ministry, said he was confident that Czechoslovak arms exports would resume within a European agreement governing the sale of weapons.

Tens of thousands of Slovak separatists staged one of their biggest demonstrations for independence from the Czechoslovak federation in Slovakia's capital Bratislava yesterday, Reuter reports from Prague.

Witnesses said the city's Slovak National Uprising Square, which can hold 20,000 people, was packed with demonstrators shouting "enough of Prague". They called for the formation of a Slovak state and voiced support for a declaration of sovereignty put forward last week by nationalist groups, witnesses said.

The crowd booed whenever the names of federal Czechoslovak officials were mentioned and supported calls for a Slovak central bank and other separatist institutions. President Vaclav Havel on Sunday denounced the sovereignty declaration as "an attempt to achieve a sort of independence in an unconstitutional way".



THE PEOPLE'S HERO; A supporter of Russian Federation President Boris Yeltsin clutches a copy of his book during a mass demonstration in Leningrad held in support of the radical leader

Aerospatiale in Turkish satellite contract

AEROSPATIALE of France has secured finance under a $315m contract to supply the Turkish telecommunications agency with its first commercial satellite, writes John Murray Brown in Ankara.

Banque Indosuez, which is lead manager of a joint French-German financing package, confirmed yesterday that a commercial loan of around $50m had been signed. In addition there was a buyer's credit agreement for $265m, 85 per cent of which is guaranteed by Coface, the French export insurance agency, the remainder by Hermes of Germany.

Aerospatiale, which is in a consortium with Messerschmitt-Bölkow-Blohm (MBB) of Germany, won the contract against opposition from both a British Aerospace consortium and Hughes Aircraft of the US. The contract includes the cost of a ground station, two satellites and finance for the launching by the European Ariane space consortium, in which Aerospatiale has the largest stake.

Indosuez's commercial loan, co-led by Kreditanstalt für Wiederaufbau, will be repaid over 10 years with an interest rate of 1¾ over London Inter Bank Offered Rate (Libor). The buyer's credit is also for 10 years, with the French portion carrying floating rate interest of Libor plus 1, in contrast to usual fixed rate interest on export credits.

Britain 'ready to do business' in EC

Partial text of John Major's speech to the Adenauer Foundation in Bonn

AS we progress through the 1990s, the market economy will be seen ever more clearly to be the dynamo of prosperity. It alone can generate the standard of living to which individuals aspire.

Effective economic and social policies are not simply a matter of drawing the boundary between the private and public sectors. Governments must ensure fair play in the market, to protect free choice. They – we – must break up monopolies, dismantle trade barriers and disentangle restrictive practices, at the national and international level. And on its own patch, too, the State must subject itself to the discipline of customer choice.

. . .We want to engender what you would call the "social solidarity" of a nation – and I have called "a nation at ease with itself".

So in our two parties, we are inspired not only by similar philosophies but by shared values. Let us build on this. As like-minded parties we can achieve great things together in Europe and for Europe. Our MEPs co-operate ever more closely in the European Parliament; I would like to see that relationship develop further. It must surely make sense for our MEPs to work together in the same team. . . .My aims for Britain in the community can be simply stated. I want us to be where we belong. At the very heart of Europe. Working with our partners in building the future. That is a challenge we take up with enthusiasm.

We are bringing our own ideas to the intergovernmental conferences on economic and monetary union and political union. And a willingness to discuss both our own ideas and the ideas of our partners openly and positively.

Britain will relish the debate and the argument. That is the essence of doing business in today's Community. And, we want to arrive at solutions which will enable us to move forward more united, not less.

That is why we think it better that change in the Community should be of an evolutionary rather than a revolutionary kind. It would be a tragedy if Europe tried to move so that in the cause of unity it provoked disunity.

There are many things we can and must do in common with our European partners. At the same time, Europe is made up of nation states: their vitality and diversity are sources of strength. The important thing is to strike the right balance between closer co-operation and a proper respect for national institutions and traditions.

So let me set out a British agenda. First, price stability must be the prime objective of monetary policy. Whether or not it is sensible to use the same money, surely we can all agree on the need for sound money. As finance minister, I took sterling into the exchange rate mechanism because I knew membership would help drive inflation down. Germany's own record is exemplary; we understand the German determination not to move to new arrangements which are less effective.

Second, economic and monetary union must be based on free and open markets. Stage One still has a long way to go before we can proclaim that Europe is truly open for finance. As the President of the European Commission made clear last month, the Community must devote the same energy to its programme for the single financial area as to proposals for subsequent stages of the EMU process.

Third, the development of monetary co-operation must depend on much greater progress towards economic convergence between member states. The gaps at present are simply too wide. To rush forward and ignore them would be to risk economic failure.

We must ensure that the economic ground is fertile before we contemplate planting the seed of a completely new monetary discipline. We should establish clear and objective performance criteria for moving between the stages of the EMU process.

Britain has proposed that the Community should use the period after Stage One to learn by action, through the development of a new common currency, the hard ecu.

At the same time, monetary policy should remain firmly in national hands in Stage Two.

Finally, though others in the Community may take a different view, we in Britain think it best to reserve judgment on a single currency until later. We cannot accept its imposition. But we are confident that the intergovernmental conference will be able to work out arrangements which protect the right of a future British Parliament to make a decision later.

A common foreign and security policy requires consensus. Another necessary condition is recognition of the vital need to keep Atlantic ties strong. As we look at the wider world, the pivotal role of the United States is clear - and in the last few dangerous months it has become clearer still. The Community must get its relationship with North America right.

Thatcher threat over loss of sovereignty

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher is prepared to break publicly with her successor if she judges that Mr John Major is ready to accept a significant loss of national sovereignty to the European Community.

Her stance, coinciding with Mr Major's efforts to establish more cordial relationships with Britain's European partners, has underlined the risk of a renewed split within the British Conservative party over Europe.

Mr Major yesterday voiced his determination to put a new Anglo-German alliance at the centre of a more positive British approach to European integration.

His speech, stressing both a close identity of interests between London and Bonn and Britain's willingness to play an active role in closer European co-operation, followed Mrs Thatcher's weekend warning of the risk of German domination of a European "superstate". Ministers agreed the contrast between the two approaches could hardly have been starker.

Mr Major lavished praise on Chancellor Helmut Kohl, with whom Mrs Thatcher had an often frosty relationship. The prime minister distanced himself further from his predecessor with the comment that he was the first British leader from the generation that had grown up after the second world war.

Close associates of Mrs Thatcher indicated that Europe remains the single issue on which she would be prepared to put her own views above the need to preserve unity in the Conservative party in the run up to the general election.

She is said to have been "greatly alarmed" by a recent speech of Mr Douglas Hurd, the foreign secretary, in which he suggested that closer co-ordination of foreign policy within the EC could be complemented by a more active role for the Western European Union in shaping defence policy. She is convinced that the US should continue to play a dominant role in western defence policy through Nato.

She also remains adamantly opposed to plans for a single currency and for an extension of majority voting in the European council of ministers. Against that background her warnings are being seen as "a shot across Mr Major's bows". The comments, which included an attack on German "ambitions" have reopened publicly the divisions among Conservative members of parliament.

As Mr Major spoke yesterday his former parliamentary private secretary firmly backed Mrs Thatcher's stance. Mr Tony Favell said if Britain lost control of its finances and foreign policy it would no longer be an independent country.

Mrs Thatcher's friends believe many MPs would line up with her against Mr Major if she judged he had ceded too much sovereignty at intergovernmental conferences on monetary and political union. At present, however, she appears anxious to act as a brake on policy rather than to provoke a confrontation.

China tests prices policy in a free-market 'cocoon'

By Colina MacDougall and David Dodwell in Chengdu

CHINESE officials have launched an initiative for rural reform in the south-western province of Sichuan, in a township renowned as the springboard for the scrapping of communes a decade ago.

The 500,000-strong township of Guanghan is to abandon state-controlled grain pricing, replacing it with a free market in rice and other grains.

The Chinese government has until now balked at such a plan, fearing a consumer backlash to higher food prices. But faced with a mounting annual bill for subsidies and increasing reluctance among farmers to grow rice at current low prices, it has been forced to act.

Guanghan farmers' payments for grain will rise approximately threefold, to almost Yuan 1 a kilo. Buyers will no longer receive rationed grain at low fixed prices but will be given a temporary wage supplement of Yuan 75 a year.

If successful, it is intended to lead to abolition of fixed food prices across Sichuan and perhaps later, China. It is also the first step to scrapping food subsidies, which have played an important part in hobbling China's economy.

Guanghan became famous in 1978, when the then-Governor of Sichuan, Zhao Ziyang, adopted it as a model for the rest of Sichuan and in due course all China. Zhao, a keen reformer and protégé of Deng Xiaoping, was sacked as China's party leader in 1989 during the Tiananmen demonstrations.

Guanghan's market experiment, which begins on April 1, comes when Peking still appears to be controlled by conservative leaders, where commitment to reform has been in doubt.

Ma Lin, Sichuan's vice-governor, noted: "The grain price is irrational. If we don't do anything about it, we will harm the initiative of farmers. The only way to resolve the problem is according to the law of value, specifically to raise the price."

But China's grave economic problems, which include over one-third of government funds being consumed by subsidies, have pressed even the conservatives into recognising the need for fundamental economic reform.

Officials stress that other subsidies, like those for fuel, power, pesticides and fertiliser, will be kept. However, if Guanghan's reforms succeed, the steady unravelling of other subsidies can be expected.

Officials in the township, and in Chengdu, the provincial capital, point out this remains a pilot scheme at the moment.

The township has been taken out of the provincial budget, and will in effect operate in a cocoon until the experimental phase is over.

If it flounders, Peking will be able to disown it without loss of face. Leaders may be forced to do so if urban workers protest at having to pay higher prices.

Their concern in the wake of the Tiananmen demonstrations to placate the country's restless urban population has been acute. "It is extremely complicated," Ma said. "If the reforms fail they could cause chaos in the market."

China's leaders have been considering these moves for about a year. Alarm over the destabilising consequences of rapid reform in the Soviet Union has prompted extra caution.

Nevertheless, Zhou Jiapei, director of the restructuring system office in Guanghan, said he expected early results. "In less than a year, we should be able to see if the initiative to plant grain is increased or decreased. Within three months, we can judge city dwellers' reactions to price increases."

In the streets of Guanghan yesterday, signs above grain stores were encouraging people to buy grain cheaply, while they can.

But shoppers at the store seemed unconcerned about the price rises.

Quelling doubts about the government's long-term commitment to reform, Ma Lin asserted that Sichuan "should concentrate itself on economic development...We must judge our work as effective or not on whether economic development is going well or not."

Where poverty begins at home and stays with scant relief

IN A REGION where the poorest of China's poor scratch out a subsistence living, Mei Zhen is a victim of the world's most devastating poverty writes Peter Ellingsen.

It takes an hour to climb the mountain where she and her family live with 30 or so other households in the simply named "Big Red Slope village", a community of Miao people on a mountain in southern Yunnan province.

After a decade of reform China has its peasant success stories, but in the wasteland where the Miao have been driven there is only a hostile environment and official neglect.

China has a minority programme on paper, but it amounts to very little in remote areas. Studies show the village average income is less than 100 yuan ($19.50) a year, half China's 1987 poverty line.

Mei Zhen's grandfather, Zhang Guang Ming, already knarled and bent at 53, did not go to school, and although many advances have taken place in China since his youth, neither does she. "She went to school for a while," Zhang says, "but she could not understand, so she had to leave." Mei Zhen, who like most of the Miao has trouble reading and writing Mandarin, now tends the pigs.

Mei Zhen's The family of five sleep on the ground, or above the shelter where the animals are kept. Huddled around the the fire, her grandfather, Mr Zhang handed out gifts to the visitors - handfuls of sunflower seeds - explaining that things are now better than in the Cultural Revolution when farming was collectivised, and they were hungry all year instead of for only two months.

Meat, except for Chinese New Year, when everyone will try to slaughter a pig, is not usually on the diet. Scratching his head, and poking at the smoky fire, Mr Zhang says the family lives on buckwheat, cornbread and potatoes.

With a culture and language distinct from the Han, the Miao have few means of breaking the cycle of deprivation. Girls inevitably stay in the village, making the colourful skirts that will attract a husband, while some young men imagine a better life in the only occupation normally open to them, the army.

Life for the Miao has improved, mainly because of the work of two Australians, Mr Phillip Bennown and Dr Irene Bain, who run an aid project, along with other self-help developments in surrounding areas.

China can rightly boast of a boom in the standard of living for rural workers. Despite massive unemployment, peasant incomes have risen more than 50 per cent in the past five years.

Officially, the number of rural people with annual incomes below 200 yuan has fallen from 32 per cent in 1985 to about 5 per cent, but that still leaves around 40m people, most of whom are non-Han, living in barren areas along the borders. The poorest are in Tibet, but many of the nation's 55 minorities (more than 100m people) are in similar straits.

There have been massive development projects in minority regions, along with attempts to preserve ethnic languages and give educational opportunites to disadvantaged groups. The rate of adult illiteracy among the minorities remains around 50 per cent and the paternalism comes at a price. Han settlers have for years been moving into minority areas, diluting the indigenous culture, and as far as the party is concerned, non-Han still represent a threat.

This is obvious in Tibet, where locals actively resist domination from Peking, but it is equally true elsewhere.

Liang Wen Xuan, Yunnan deputy government head, says the poverty that "still exists in some remote minority areas," is largely the fault of the minorities. "The one fundamental reason for poverty is the lower quality of the people, and their low education level," he said.

Mr Liang, like most officials, has never been to the remote areas he talks about, and has only bureaucratic notions of what is required.

Young men join the army but the old have no escape

Conference on boat people called

AUSTRALIA, Britain and Canada have called an international conference in Geneva on March 25 and 26 to discuss the plight of Asia's thousands of Vietnamese refugees, the Foreign Office said yesterday, Reuter reports from London.

Senior officials from 11 other nations have been invited to discuss setting up a steering committee to help solve issues relating to the Vietnamese boat people.

"The UK policy has not changed. Those who are not refugees can have no hope of settlement and will return to Vietnam," said a Foreign Office official.

Genuine refugees are considered to be those seeking political refuge rather than migrants who leave their country to try to better their lives elsewhere.

Countries invited to the conference are France, Hong Kong, Indonesia, Japan, Malaysia, Netherlands, Norway, the Philippines, Thailand, the US and Vietnam.

Britain, Hong Kong and so-called first-asylum countries agreed at a meeting in Geneva in 1988 that south-east Asian countries would continue to allow boat people to land provided genuine refugees were accepted for resettlement elsewhere and those classified as illegal immigrants were returned to Vietnam.

There are more than 120,000 boat people in camps throughout south-east Asia, many of whom have little or no hope of being accepted as genuine refugees.

The British colony of Hong Kong, which will be handed back to China in 1997, has introduced a tough screening policy for Vietnamese arriving there and only about 10 per cent are accepted as genuine refugees.

Bliss in North Korea's anti-Utopia

John Ridding visits a land of such rigid control there are no prisons

PANGLOSS, the incurable optimist in Voltaire's Candide, would have been at home in modern-day North Korea. His claim that "all is for the best in the best of all possible worlds" is echoed by every North Korean met on Pyongyang's spotless streets.

"There are no prisons," says Mr Lee Jong Bin, a guide with the Diamond Mountain tour company. "This is because there is no crime," he explains.

Mr Kim Sang Bok, an official at the Kim Man Yoo hospital in downtown Pyongyang, informs us that North Korea has zero per cent alcoholism.

Just in case hospital patients are not aware of their good fortune, a sign outside wards on the first floor gives prices for operations – in Japan. In North Korea they are all free.

There is no prostitution and no sex before marriage, says the barman in the Changgwangsan hotel in central Pyongyang. There is no dancing either, judging by the completely empty disco where his bar is situated.

Even diplomats with 15 years' experience in the North Korean capital argue about whether its citizens really believe they are living in a workers' paradise.

But this is what the subjects of President Kim Il Sung, "the great leader", are taught – incessantly and from a very early age.

"We teach our children about the political ideas of the great leader" said the deputy headmistress of the Pyongyang Number One Junior Middle School, referring to the founder and ruler of the Democratic People's Republic of Korea and the focus of one of history's most extreme personality cults.

She says her children are informed about world events. But in the case of the Gulf War, for example, this means "we emphasise that the American bastards are our enemy because they invaded us," says the deputy headmistress.

It is not just what North Koreans are taught, however, that maintains their faith in the great leader's Juche ideology and the regime it supports. It is just as much what they are not told.

Most of the people still do not know a man has landed on the moon, says a diplomat stationed in Pyongyang. "This is because all of the astronauts have been American."

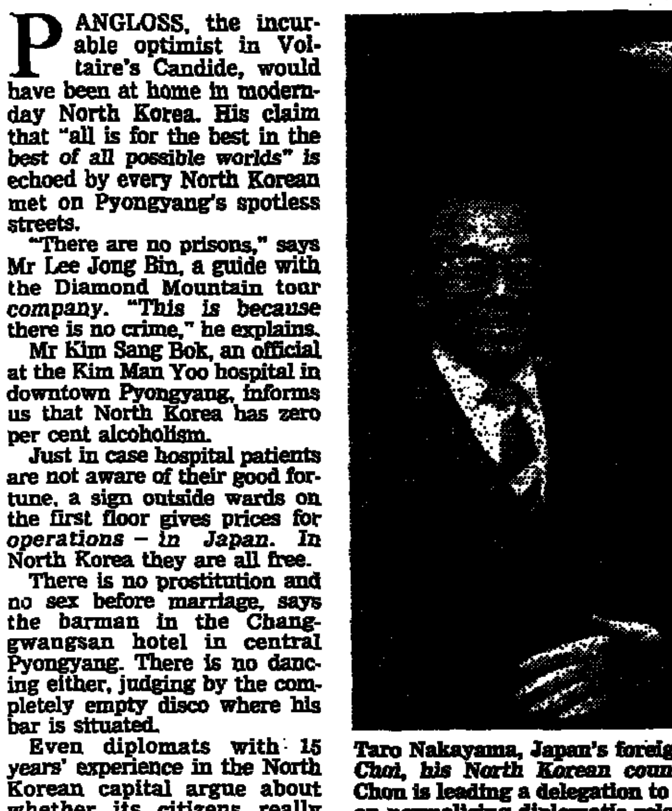
According to another diplomat resident, only a few privileged party officials have access to foreign news, even then it is religiously interpreted to fit party doctrine.

"I know that the South Korean economy has developed very fast," says one member of the Korean Workers' Party. "But because it is a market-based system it is bound to collapse," he reasons.

Information is supplied on a strict need-to-know basis. A senior executive in the Daesong Bank, for example, one of the state's two principal financial institutions, does not know North Korea's balance of payments. But he does know that his bank plans to finance imports of $300m this year.

Such rigid control of information requires that society be hermetically sealed and strictly regulated. Office workers spend three hours every Saturday afternoon in political study groups. Overseas travel is prohibited for the vast majority of North Koreans.

"Everyone is so closely checked," argues one foreign resident of Pyongyang. "Not even Orwell could imagine how this anti-Utopia works."



Taro Nakayama, Japan's foreign minister (right) greets Chon In Chol, his North Korean counterpart in Tokyo yesterday. Mr Chon is leading a delegation to Japan for a second round of talks on normalising diplomatic relations between the two countries.

OECD predicts upturn for New Zealand

By Edward Balls

NEW ZEALAND can expect a gradual but modest recovery this year, the Organisation for Economic Co-operation and Development predicts today in an optimistic survey* of New Zealand's economic prospects.

The country has experienced five years of stagnation, despite extensive reforms under the former Labour government, which have given greater independence to the central bank, cut subsidies to industry and lowered barriers to imports.

Inflation has fallen, from a high of 15.7 per cent in 1987 to 4.9 per cent in 1990, but at the expense of falling output and a sharp rise in unemployment to an estimated 7.6 per cent in 1990.

The OECD expects economic growth of 1.5 per cent in 1991, rising to 2.3 per cent in 1992, driven by growth in investment and exports. Inflation should continue its downward path to 3 per cent in 1992 but consumption is expected to remain depressed; no fall is expected in either unemployment or the current account deficit.

The newly elected conservative National party government introduced a package of spending cuts and tightened the rules governing the payment of welfare benefits last December, after the OECD's report was completed. However, the report built into its assumptions a similar package, when compiling its projections.

The OECD pins the blame for New Zealand's poor economic record over the past two years on persistent inflationary expectations; the government's failure to contain the budget deficit; slow progress in labour market reform; and increased protectionism in world markets for agricultural products.

Slow progress in reducing the budget deficit and outstanding government debt, combined with persistently high inflationary expectations, have forced the Reserve Bank to maintain very high nominal interest rates to maintain a squeeze on inflation, the OECD says.

High real interest rates and a high exchange rate have placed a disproportionate share of the cost of adjustment on companies which trade in world markets, the OECD claims. This in part explains its poor growth performance in recent years.

The current target of inflation, less than 2 per cent by 1993, is described by the OECD as ambitious. It will only be achieved without continued economic stagnation if the government cuts spending further, to ease pressure on interest rates, and accelerates structural reforms in the labour market toward further decentralisation of pay bargaining.

● Falling economic growth among New Zealand's trading partners and a stringent domestic fiscal policy will keep the country's economy sluggish for the next two years, according to the NZ Institute for Economic Research, Reuter reports from Wellington.

Available from OECD, 2 rue André-Pascal, 75775 Paris 16

Kerekou gets 26% of vote in Benin

By William Keeling
in Lagos

PRESIDENT Mathieu Kerekou, military leader of Benin, is clinging to power after Sunday's elections. With more than half the votes counted, he has 26 per cent and has denied outright victory to Mr Nicephore Soglo, the interim prime minister, who has 37 per cent.

The elections are the first to take place in Benin since Gen Kerekou seized power in 1972. They are the climax of a year-long campaign to return the small west African country to multi-party democracy after Gen Kerekou espoused Marxist-Leninism and led the country into economic bankruptcy. Benin has an external debt of over $1bn and foreign exchange earnings of just $200m a year.

Mr Soglo, a former World Bank director appointed interim prime minister in February 1990, is regarded in western diplomatic and business circles as the man most capable of turning the economy around.

His chances of assuming power depend on the support of the other 11 candidates.

The elections, passed off peacefully although the interior minister, Mr Jean-Florentin Feliho, had announced that members of Gen Kerekou's 1,500 strong presidential guard were planning to assassinate leading civilian, military and religious figures.

Gen Kerekou has warned that he would not step down if there was evidence of violence or electoral rigging.

If no candidate achieves an absolute majority, a second round with the two top candidates - almost certainly Gen Kerekou and Mr Soglo - will take place on March 24.

Japanese sales hopes depressed

By Peter Norman, Economics Correspondent

THE GULF WAR and the US recession sharply depressed Japanese business expectations for the first and second quarters of this year, according to Dun & Bradstreet, the US business information group.

The company, which yesterday began publishing the results of a quarterly survey of 400 Japanese businesses, said there was a 26 point decline in its sales optimism index to 54 in March from a near-peak level of 80 in September last year.

The D&B index figure represents the net percentage of survey respondents expecting higher sales in the quarter after the poll is taken. It is calculated by subtracting the percentage of companies predicting lower sales from the percentage expecting increased sales.

Two charged in S A fraud case

TWO stockbrokers have been charged with fraud, and warrants have been issued for the arrest of two senior investment officers at the Old Mutual, South Africa's largest life insurance company, in an investigation into irregular share dealings, writes Philip Gawith in Johannesburg.

Attorney-general Frank Kahn confirmed yesterday that Mr Greg Blank, a director of stockbrokers Frankel Max Pollak Vinderine, and Mr Ken Fouche, a broker at Ed Hern Rudolph, had been charged with fraud.

They were arrested Sunday night, charged, and released on bail of R500,000 ($195,519) each. The case has been remanded for three months.

The probe follows internal investigations of transactions at the Old Mutual which, according to Mr Gerhard van Niekerk, chief operating officer, "individually appeared completely normal, but collectively showed a suspicious trend".

Curfew imposed on black townships after fighting

SOUTH AFRICA imposed a night curfew on three black Johannesburg townships yesterday and gave tough security powers to police to quell faction fighting which has killed 49 people in the past three days, Reuter reports from Johannesburg.

Law and order minister, Mr Adriaan Vlok, said Soweto, Alexandra and Tembisa townships would be designated unrest areas with immediate effect.

Mr Vlok welcomed a joint call for increased police patrols made by the African National Congress (ANC) and the Inkatha Freedom Party.

But ANC spokeswoman Gill Marcus said the government measures went too far. "The declaration of an unrest area usually means a massive police and military presence and that tends to exacerbate the problem," she said.

ANC and Inkatha leaders battled to restrain their supporters from further murderous clashes after the violence erupted in Alexandra township at the weekend.

Rival gangs armed with clubs and spears were kept apart by coils of razor wire and hundreds of police and army reinforcements. Security forces in armoured vehicles toured Alexandra, disarming fighters.

The faction fighting spilled over into Soweto, west of Johannesburg, yesterday and four inmates of a mainly-Zulu workers' hostel were killed.

● The lawyer defending Mrs Winnie Mandela on kidnap and assault charges accused a key prosecution witness yesterday of living in a dream world and lying in court to incriminate her, Reuter reports.

The witness, Mr Kenneth Kgase, admitted on his third day of giving evidence that he had misled the court with some of his testimony, but stood by the details of his alleged kidnap and assault by Mrs Mandela and three co-accused.

UK NEWS

Weak retail demand dents consumer credit

THE weak state of demand in the retail sector was underlined yesterday by figures showing consumers' appetite for credit fell back sharply in January, writes Peter Marsh.

The figures from the Central Statistical Office indicate that consumers repaid large amounts of debt during this period, especially on credit cards, with the rise in total outstanding credit for the month being the lowest figure since the end of 1986 – not including a freak statistic in December 1989.

In January, outstanding consumer credit from building societies, finance houses and bank credit cards rose by a seasonally adjusted £60m, roughly half the figure expected by London institutions. The figure for December was £141m, while in January 1990 it was £492m.

With revised figures for retail sales volumes in January indicating a 1.4 per cent fall compared with the previous month, the statistics illustrate the degree to which consumer confidence has been dented by the recession and the Gulf war.

In the three months to January, outstanding consumer credit rose by £430m, compared with quarterly figures for the first nine months of 1990 of between £600m and £1bn. New credit advanced in January was £3.9bn, virtually unchanged from the previous month.

In January, consumers appeared to go to special efforts to pay off credit card debt. The amount outstanding on credit cards fell by £25m during this month, compared with a rise of £22m in December. In the three months to January, the extra credit on cards has risen by £33m, as against £398m in the previous three months.

Open competition on London buses

By Richard Tomkins, Transport Correspondent

THE government yesterday announced controversial proposals to abolish London Transport's role as a bus operator and open up the capital to unfettered competition among private sector operators.

It plans to introduce legislation in the next Parliament allowing any number of bus companies to operate as many services as they wish on any route in the city judged suitable for bus traffic.

The only restrictions on operators will be the need to hold a public service vehicle licence and to register services six weeks in advance with the Traffic Commissioners.

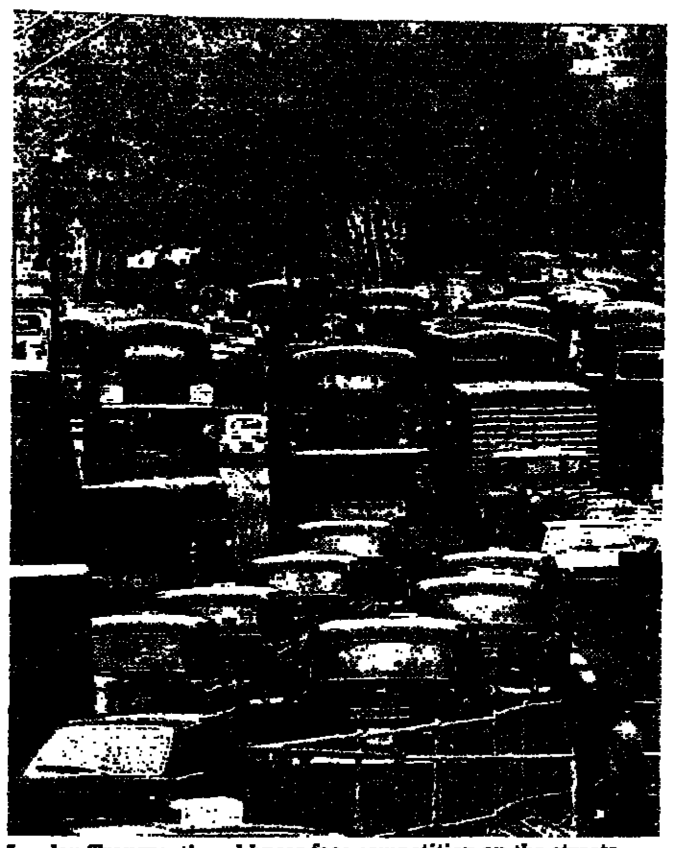
London Transport's fleet of red buses will be distributed among 12 operating subsidiaries. These will be privatised after deregulation and left to compete on equal terms with the private sector.

Where unprofitable routes are judged to be socially desirable, London boroughs will invite bus operators to tender for them on the basis of which would require the smallest subsidy.

The proposals, outlined in a Department of Transport consultation paper, would put London's bus system on a similar footing to those elsewhere in Britain, which were deregulated in 1985.

Deregulation in the regions, however, caused widespread disruption, and there was surprise yesterday that Mr Malcom Rifkind, the Transport Secretary should risk the political consequences of attempting to extend it to London.

Mr John Prescott, the opposition Labour Party's transport spokesman, said it would throw the capital into chaos. "The government is sticking dogmatically to ideology rather than attending to the passengers' best interests," he said



London Transport's red buses face competition on the streets

Mrs Caroline Cahm, chairman of the National Federation of Bus Users, predicted that it would create "appalling" problems of congestion.

"I'm amazed the government hasn't taken more note of the problems encountered in the provinces before thinking of introducing this to London," she said.

Mr Roger Freeman, minister for public transport, said the government favoured the bus as a means of relieving congestion. Competition, he said, would result in better services for passengers.

"The bus needs a renaissance, and to bring that you need the private sector to come in, to compete, and to add services, and I think that will ultimately relieve the overall level of road congestion," he said.

Mr Freeman said he believed the Travelcard system could survive the fragmentation of the market if bus operators co-operated among themselves. He also hoped to see the red bus survive. "It's a fantastic trademark."

The transport department is to accompany deregulation with a review of bus lanes and other bus priority measures to see whether there is a case for helping buses move through London's traffic more freely.

A Bus Strategy for London, Department of Transport, Room S15/21, 2 Marsham Street, London SW1P 3EB.

● Traffic wardens in London are refusing to agree to a new grading structure which would reduce the number of supervisory wardens working on the capital's streets.

The new structure was intended to be agreed with the Metropolitan Police in time for implementation next month when pay scales for wardens had been due to transfer from local-government levels to those of the Civil Service.

This is the first attempt to update the traffic-warden service in London since it was established about 30 years ago. The Metropolitan Police wants the number of warden grades to be reduced from five to three. It says the simplified structure would allow more flexibility and increase the discretion that wardens on basic grades would be able to exercise.

A bonus of 6.8 per cent of pay is being offered as part of the package in addition to a cost-of-living increase. Wardens will continue to be paid on local authority scales if no agreement is reached before July.

BRITAIN IN BRIEF

ICI agrees to new working practices

ICI cleared the way for the company's biggest single change in working practices for 21 years with a draft deal with trade unions representing 23,000 of its manual workers.

The company, one of Britain's largest, has offered a 12 per cent rise in basic pay over two years and a possible cut in the working week to 36 hours in January 1995.

In return, employees have to be prepared to work in teams, accept responsibility and training, and undertake any tasks for which they have the capability and time to perform safely.

The deal has been in negotiation for two years, and would mark a complete revision of terms for blue-collar workers set in 1969.

Union leaders described it as the most radical in the chemical industry.

Efforts to start talks on Northern Ireland's political future are "still on line to make progress", Mr Gerry Collins, Irish foreign minister (pictured above with Mr Peter Brooke, Northern Ireland secretary), insisted yesterday.

Despite gloom about the political initiative started by Mr Brooke more than a year ago, Mr Collins said he was "optimistic".

His comments, after discussions in London with Mr Brooke, underlined the Irish government's determination to keep "talks about talks" going. Mr Brooke refused to comment on the meeting.

The Northern Ireland Office said only that the process was continuing. Dublin has submitted proposals for breaking the deadlock focused on the timing of the Irish government's involvement in round-table talks on replacing the 1985 Anglo-Irish Agreement.

Reform for urban revival

The funding of inner city regneration is to be revised to ensure that the money goes to enterprising programmes that will revive local economies, Mr Michael Heseltine, the Environment Secretary, has announced.

The change is an attempt by Mr Heseltine to breath new life into the inner cities programmes which he vigorously promoted in his first spell as Environment Secretary from 1979 to 1983.

Mr Heseltine is to introduce a new system of competitive bidding for the available money – 75 per cent of which comes from the government and the rest from local authorities.

Call for extra phone numbers

A proposal by British Telecom to add an extra digit to London telephone numbers has won backing from a consultant's report commissioned by the Office of Telecommunications, the industry watchdog.

The move would prove particularly irksome to businesses in London, which had reprint stationery when the London 01 area code was changed less than a year ago, in May 1990.

The recommendation would mean, for example, the inner London prefix growing from 071 to 0171.

Canadian blow for cable TV

Maclean Hunter, the Canadian publishing and cable television group, has suspended all new capital investment in its British cable television franchises.

Its announcement comes as the recession and the US banking crisis have led a number of large cable television operators to postpone creating networks in the UK.

But the large North American telephone companies are pushing ahead, after the encouragement given to cable companies by the Government after the review of the UK telecommunications duopoly.

Falling output in car industry

The car industry faces the threat of a 4.3 per cent fall in output this year, according to the latest forecast by the Society of Motor Manufacturers and Traders.

The SMMT estimates that the number of cars manufactured in the UK will fall to 1.24m this year, compared with 1.3m in 1990, a year when UK car production was virtually static.

Last year the industry succeeded in offsetting a 12.7 per cent fall in UK new car registrations by boosting overseas sales.

Its production for export rose by 44.7 per cent thereby compensating for weak demand in the domestic market.

Power trading

Shares in National Power and PowerGen, the two privatisesd electricity generators, are due to start trading on the stock market at 2.30pm this afternoon. The government has confirmed that the public offer of shares had been 5.4 times subscribed before clawback after 1.9m applications had been received.

Fair trading for tourists

Sir Gordon Borrie, director-general of the Office of Fair Trading, has ruled that the Wales Tourist Board's policy of promoting only hotels and guest houses it has inspected is not detrimental to competition.

The policy was referred to the OFT after a complaint two years ago by a self-catering holiday operator.

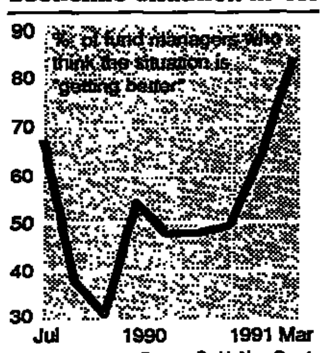
Brand auction

Two delicatessen brands, Wardour and Prohst, are to be sold in an unusual auction to be held by Phillips on March 25. The trademarks and all remaining stock, including papaya chunks, smoked oysters and Morello cherries, will be sold in a single lot by Pollshon Produce, founded in 1953. Pollshon had turnover in excess of £1.5m in 1990.

British fund managers say economy will improve

UK INVESTMENT institutions have become more optimistic about the outlook for the economy, according to a survey for Smith New Court, the investment firm, by Peter Martin.

Expectations for general economic situation in UK



Source: Smith New Court

Some 84 per cent of fund managers interviewed over the past week said they expected the UK economy to get better in the next 12 months. In February, only 64 per cent gave that answer, and fewer than 50 per cent did so in January, December and November.

The survey, carried out by Gallup, covered 101 fund managers handling £406bn. Its results indicate that institutions are becoming more cautious about the short-term performance of the UK stock market after the gains of the past weeks.

The balance of managers expecting to increase their holdings of UK equities in the near future dropped to 32 per cent, from 49 per cent in February. And the balance of opinions on the short-term outlook for the FT-SE 100 index also became somewhat less optimistic.

On prospects for the next 12 months, however, fund managers are much more optimistic. Setting those expecting a fall in the FT-SE 100 index over that period against those expecting a rise results in a favourable balance of 81 per cent, the highest figure since the survey started in July 1990.

The average forecast for the FTSE 100 in 12 months' time is 2,612, compared with 2,455 at Friday's close.

COLLAPSE OF AIR EUROPE

Government defends CAA silence

By Financial Times Reporters

MR MALCOLM RIFKIND, the transport secretary, yesterday *asked the Civil Aviation* Authority (CAA) to investigate a scheme to protect scheduled airline passengers after the collapse of Air Europe and its parent company, International Leisure Group.

Against heavy criticism in the House of Commons, however, Mr Rifkind defended the CAA's decision not to warn travellers of the problems facing Air Europe and ILG.

Mr Rifkind said he had known of ILG's difficulties, but added: "To have withdrawn licences or to have made public statements on the financial affairs of the company while there was still a serious prospect of rescue would merely have precipitated the crisis and made it inevitable."

But he said the time had come for the CAA to consider the feasibility of an insurance bonding scheme for scheduled passengers similar to the system which covering charter flight and tour customers.

ILG's administrators said they had suspended "the majority" of its 4,000 staff without pay. *If buyers for the air*line and travel operations are not found by midweek, virtually *all staff* are likely to be made redundant.

Mr Tim Hayward of KPMG Peat Marwick McLintock, one of the administrators, also warned that unsecured creditors, owed nearly £300m, *stand to recover little of their money.*

The administrators have set themselves a target of tomor*row to put a sale proposal to* the CAA. They are understood to be in discussion with four airline or travel groups about a sale of Air Europe. Mr Hayward said he did not expect any offers to top the book value of Air Europe's assets shown in its accounts.

ILG's travel brand names, *including Intasun, Global, and* Club 18-30, are worthless now that its Association of British Travel Agents membership has been withdrawn. Abta does not allow a company to rejoin under a different owner if it has ceased trading.

Most of its 400,000 bookings for this summer have already been passed on to other tour operators.

ILG's collapse could spark a second wave of lay-offs among companies which provided catering and engineering services, according to union officials.

Up to 1,000 additional job losses are possible, involving in particular Ogden Allied and Steels Aviation whose main customer is Air Europe. ILG is *one of the few UK airlines in* which unions are not recognised. The British Air Line Pilots Association said it had only about 70 members among Air Europe's pilots.

Letters, Page 19

Reporting staff: Paul Betts, Jimmy Burns, David Churchill, Clay Harris, Ivor Owen and Richard Waters

Airline industry likely to oppose scheduled flight bonding scheme

By David Churchill, Leisure Industries Correspondent

THE Civil Aviation Authority will have its work cut out trying to find widespread agree*ment on a bonding scheme for* scheduled air travellers who, at present, have no protection *if an airline ceases trading.*

The options the CAA will now have to consider, at the request yesterday of *Malcolm Rifkind, transport secretary,* will all come up against the strong opposition of the airline industry.

Their opposition is twofold: firstly, as most European carriers are state owned, they argue that they are unlikely to cease trading and leave their customers unprotected.

Secondly, they would be unwilling to take part in any UK- only bonding system since this would only protect UK nationals and not all international travellers.

"The problem is simply that *international* air travel means that people are coming and going from all over the world *and the practicalities of admin*istering any scheme would be immense," said Mr John Donaldson, managing director of the Thomas Cook travel agency, yesterday.

Thomas Cook's own protection for travellers, which guarantees a 24-hour refund for travel bought through it, has cost it about £100,000 in repayment for scheduled passengers with Air Europe.

The main proposal for a bonding scheme under scrutiny by the CAA will be that put forward by British travel agents. *This is for a £1 levy* on all UK originated flights for a year, which would raise some *£20m in the first year.* This would be collected through the existing computerised airline ticket reservation and payment system.

This scheme would be similar to that to be tried in Australia from the beginning of next month when fares will be raised slightly to raise funds for a travel compensation fund.

The CAA, however, will probably find that airlines operating out of the UK will be reluctant to agree to a fares increase for this reason. It *may, therefore, fall on the gov*ernment to insist that airlines contribute to such a scheme as part of the conditions for flying out of the UK – a move unlikely to win favour in the current mood of de-regulation.

Creditors unlikely to recoup investments in collapsed travel group

By Richard Waters

UNSECURED creditors of International Leisure are likely to get back hardly any of the near-£300m owed them by the collapsed travel and airline group, Mr Tim Hayward, the Peat Marwick partner who *heads the administration,* warned yesterday.

Mr Hayward said losses were likely even if ILG's airline and travel businesses were sold this week rather than broken up.

The administrators, appointed on Friday, have made little effort to draw up a complete picture of ILG's financial position. Instead, they are concentrating on trying to sell Air Europe and ILG's travel businesses.

It is already clear, however, that many of the group's creditors will get back little of their money, while shareholders, who put in more than £100m when the company was taken private four years ago, have lost everything.

The group's most obvious tangible assets are its 37 aircraft, all but three of them leased. Around 130 banks, led by Citicorp, have participated in various syndicates to finance these aircraft said Mr *Hayward. They are owed* £200m secured on Air Europe's fleet.

Further contingent liabilities linked to the leased aircraft could eat further into ILG's assets, Mr Hayward *warned.*

Even if Air Europe is sold, the contingent liabilities could crystallise with a vengeance. For instance, the buyer may insist on renegotiating the terms of the lease contracts – again giving the leasing companies a right to claim compensation from ILG.

There are few assets to cover the unsecured debts, which stood at £285m last October (and are likely to have grown further since).

Other assets consist largely of debts due – and much of this is likely to be seized by companies claiming a right of set off against money they in turn are owed by ILG, Mr Hayward said.

Lloyds Bank is by far the *biggest of the unsecured* creditors, with debts of more than £80m. Another "three or four" unsecured banks, whom Mr Hayward refused to name, are owed money, although their exposure is said to be small.

Bank of England takes a hands-off approach

David Lascelles on the central bank's change of tack

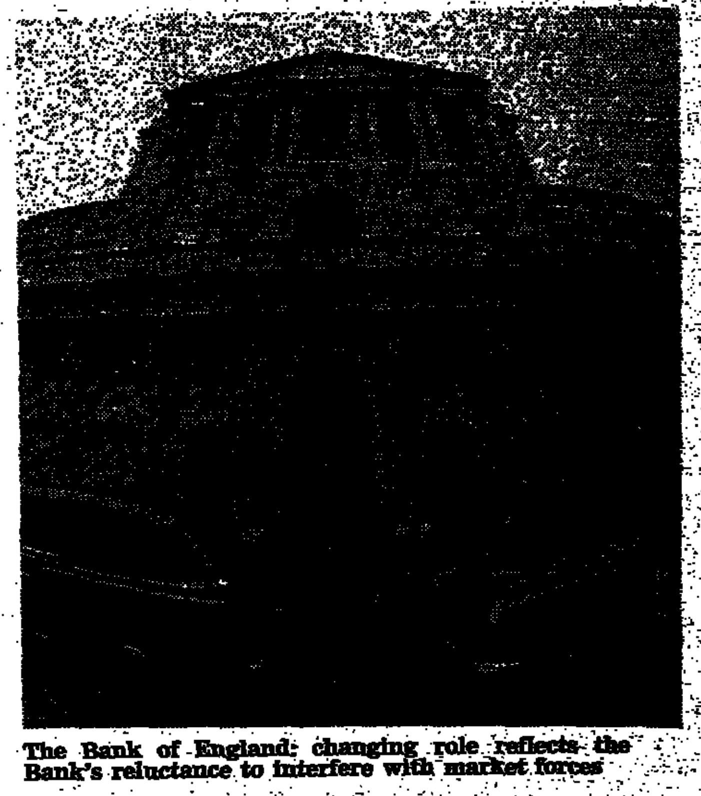
THE Bank of England appears to have changed its approach during this recession to its dealings with banks and their troubled clients.

It is taking a more hands-off line, preferring to make its good offices available where they might help save a company rather than seeking to take an active interest in rescues, reflecting the Bank's growing reluctance to interfere with market forces.

Bankers say it is less closely *involved in their dealings with* distressed corporate borrowers than in previous downturns. Nor is it putting any special pressure on banks to keep finance available for them rather than pulling the plug.

Mr Brian Pitman, the chief executive of Lloyds Bank, says: "I don't think the Bank is getting very involved. It used to help in difficult situations. But I think the banks have got their act together quite well."

Recently it emerged that the Bank played a central role in organising changes at the top *of Midland Bank but it was* stressed that the Bank's role was as go-between to help find a successor to the outgoing chairman, Sir Kit McMahon, rather than as stage manager of a rescue.



The Bank of England: changing role reflects the Bank's reluctance to interfere with market forces

Bank officials indicate that it prefers banks and their clients to make decisions without central *bank* interference, though it is prepared to make its good offices available in bringing the two sides together or aiding negotiations. However one case in which it is known to have been involved was last year's refinancing of the *Brent* Walker leisure and property group where it played a *behind-the-scenes role* in keeping the bank talks going.

Most often, it is the banks which go to the Bank for help rather than the Bank taking the initiative, but the Bank might become more "pushy" if a troubled company lay close to the national interest, for example if important technol*ogy or jobs* were at stake.

The Bank's activities in this area are headed by Mr Pen Kent, associate director for industrial matters. He is said to have "only one in-tray full" of cases pending.

He takes the view that the Bank should not interfere with bankers' commercial judgments. In a speech to the Stock Exchange at the end of last year he said: "We stand ready to act as a neutral catalyst or chairman to help the creditors come to a collective agreement on the best way forward."

"We do not believe in resisting market forces, but experience has shown unequivocally *that it is helpful* to have in place a structure for orderly communication and management in a *crisis when* the clock is running out," he added.

Another reason the Bank may be more relaxed is its view that the recession will be less severe than conventional wisdom holds it to be.

The Bank also sees little evidence of a credit crunch, and *does not seem unduly worried* that UK banks will suddenly turn off the loan tap.

Mr Kent did stir up controversy last year with proposals for "a London approach" – a set of rules for banks to follow when companies get into financial difficulty. The rules were aimed at cases where a single company had many bankers, and procedures were needed to keep them all in order. Some banks, particularly foreign ones, saw this as an unwelcome intrusion by the Bank.

The new rules were supposed to have been ready by the beginning of this year, but none of the banking trade associations have responded.

The Bank will not push for the rules if bankers are hostile or indifferent. Mr Kent *feels* the publicity generated by last year's controversy may have already got the message across.

But one theme the Bank will continue to hammer away at is that banks and their customers should use the recession to rebuild their relationships. It was alarmed by the go-getting *banking style that developed in* the 1980s, with its stress on deals rather than strategies.

A Bank official said: "We say to people: 'It's not the last buck you should be after but a durable relationship'."

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TECHNOLOGY

Equal access put on hold

By Paul Abrahams and Hugo Dixon

Pivotal to the success of the British government's efforts to liberalise the UK's telecommunications industry is the apparently arcane concept of equal access.

Without equal access, some of the benefits of liberalisation described last week by Peter Lilley, the trade secretary, are unlikely to emerge quickly, if at all. These include lower prices and a wider choice for the customer.

Equal access allows consumers to choose between two or more long-distance carriers simply and without favouring any one of them. The idea is that customers should be able to choose a trunk operator without buying a special telephone or using an identification code or dialling extra digits to access British Telecom's competitors.

It is far from clear, however, how quickly equal access will become *available. There is a* large amount of fine print in last week's white paper which set out the government's proposals.

In Lilley's statement announcing the government's policy to the House of Com*mons, he suggested* that equal access would be available within "the next year or two" *and that the majority of users* would be able to enjoy its benefits within five years.

Sir Bryan Carsberg, director general of the Office of Telecommunications, the industry regulator, envisages an intermediate stage before full equal access is achieved.

In the first stage, customers would either have to decide to *route all their long-distance* calls through a rival carrier to BT or they would have to dial an "access" code to get into an alternative network.

Such a system would be fairly easy to implement wherever BT has installed digital exchanges. BT would simply pass the caller's identification number to the long-distance *operator, allowing it to send a* bill.

This first stage would not, however, constitute "equal" access. Customers who did nothing would automatically be routed via BT. And if they *wanted to use different operators on a call-by-call basis*, they would have to dial the access code for BT's rivals but nothing for BT – again leading to inertia.

The second phase of equal access envisaged by Sir Bryan *would allow customers to* chose a different carrier for individual calls. This would be the ultimate conclusion of equal access.

Customers would chose a carrier by dialing a prefix, such as 12 for BT, 13 for Mercury, 14 for British Rail Telecommunications or 15 for British Waterways. If they failed *to dial the prefix, the* long-distance call could not be made. This would prevent existing trunk operators from benefiting from customer inertia.

In his statement issued at the same time as the government's white paper, Sir Bryan suggested that the full introduction of this form of equal *access might occur after the* next review of BT's prices in 1992/3 if the cost were not too great. A considerable amount *of alterations would have to be* made to existing exchanges in the meantime.

However, in an interview with the Financial Times, Sir Bryan has suggested the second phase of equal access may *not need to occur.*

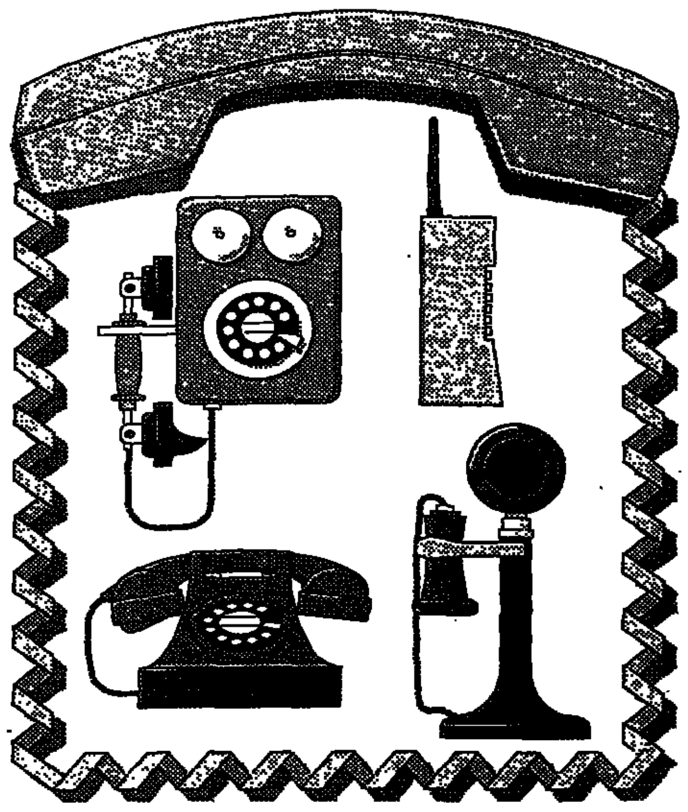
He suggested that the development costs of full equal access were far less predictable than phase one, and that the benefits of phase one might be sufficient to avoid those costs. Sir Bryan said he would be initiating a cost/benefit study on the issue.

Whether phase two would be *implemented depended to a* large extent on the ability of the cable television companies to penetrate the local telephony market, explained Sir Bryan.

These companies could offer automatic routing with their services. This would mean the cable companies introduced programs at their local *exchanges that decided auto*matically which trunk carrier was cheapest for a particular call. If that occured to any great extent, then the need for full equal access – and the costs associated – might *become redundant.*

Della Bradshaw looks at what the latest telecommunications review means for businesses

Counting the costs



The British government prides itself on fostering competition in phone services. But *for small businesses*, and the domestic phone user, there is still little, if any, real choice.

While many large companies have happily switched part of their services from British Telecom to Mercury Communi*cations, small companies have* been deterred from doing so because they would have to change their phone numbers, and that could mean losing business.

"For small businesses, such *as the local plumber or builder*, a large number of calls come in because people know their number – it's in their diary or they found it in a directory that is several years out of date," points out David Lewin, chairman of Ovum, the consultancy which carried out the comprehensive report on phone numbering for Oftel, the *telecommunications regulator.*

The report, published yesterday, estimates that the value to a small business of keeping the same number *is* about £1,000, compared with about £400 for the average business. Large businesses circumvent the problem by dividing their phone lines: incoming calls arrive via BT, so maintaining the original number; outgoing calls travel by Mercury, so bringing less expensive charges.

Last week's government white paper on telecommunications sets out to give the small phone user the same choice of services as the large conglomerate. Part of the plan is that phone numbers should be portable, so that you can take them with you from one address to another, one city to another and one phone company to another.

With 2m phone users in the UK moving house or office every year, this is already important. But it will become increasingly so as cable television operators, British Rail and others begin to offer competing phone services in the UK.

At the moment when callers in Glasgow dial numbers prefixed with, say, the 071 London area code, they know the call will be billed at the long-distance rate. If geographical codes disappear so will this indicator of price.

Technically, when a UK *phone number is dialled the* network knows where to route the call because the first two or three digits of the number (not of the area code) indicate the local exchange. Once the call has reached this exchange *the final digits indicate the* specific home or business. But if the first three digits were used by phone subscribers in both Birmingham and Bath, for instance, the network would need further information in order to be able to route the call correctly.

In the long-term the way of providing portability will be the "intelligent network", a concept which is being adopted by BT and Mercury. The idea is to remove information, such as numbers, from the hundreds of *exchanges around the country* and concentrate it in centralised computer databases.

As well as the political questions – such as whether each operator should have its own number database or whether a *single shared one would suffice* – there are the technical problems inherent in such a move. Every time a number was dialled, the local exchange of the caller would have to look up the number on the database before the call could be passed on. At today's call rate that would mean *about 150,000* numbers would have to be found every second across the UK as a whole, says Lewin.

Although most communications organisations accept this long-term aim, they also recog*nise the extent of the difficulty* (particularly for BT which still has many older electro-mechanical exchanges) in achieving it. Ovum recommends that the move be evolutionary, rather than revolutionary, *in order to minimise economic as* well as technical difficulties. *The cost of changing phone* numbers works out at £900 per line, says Ovum. In a worst case scenario, in which each of the £5m business numbers in the UK were changed, the cost would be £4bn.

To help introduce number portability in the short term, BT and Mercury have two options:

- First, an advanced form of call forwarding could be introduced. When a call was made to a business which had re-located or changed its phone company, but had retained its original phone number, the call would travel to the local exchange indicated by the number. The line card in the *exchange of the customer* involved would be marked with the new number, so the network could forward the call.
- Second, portability could be introduced across a local area, so that companies could keep their numbers while moving within, say, London or Birmingham. This would mean that when a London number was called *the* call could be routed through to a London database to check the location of a recipient. The area code – and the resulting tariff indicator – would remain.

Once phone users can carry their phone numbers from one area to another and between phone companies, the next step would be to swap them from *one type of service to* another, in particular from the ordinary phone service to a mobile one. This could lead eventually to the concept of personal numbers, where a subscriber could use the same number for his or her office phone, car phone and hand-held personal communications unit.

Oftel is quick to point out *that the publication of the* Ovum report yesterday does not mean that all the consultancy's recommendations have been accepted. One other option that is gaining credence is that of a pan-European numbering system, similar to the North American one which incorporates the US, Canada and the Caribbean. There, the first three digits indicates the area, and the following seven the specific number.

Jean-François Berry, president of Afutt, the French telecoms users' association, believes the European-wide cel*lular radio service*, which will begin service in July, could be a starting point for a continent-wide numbering scheme. "There is no real single market if there is not a single market for telecommunications," he says.

An open line to BT information

By Hugo Dixon

TECHNICALLY SPEAKING

The best-known telecommunications duopoly in the UK used to be British Telecom and Mercury Communications' exclusive right to supply phone services. The government last week abolished that right.

A less well-known duopoly – but one which also damages the public interest – is the information duopoly held by BT and Oftel, its regulator. Only BT and Oftel have access to the detailed financial information which is used to determine how the company's profits and prices are regulated.

While it would be wrong to suggest that Oftel and BT have a cosy relationship, secrecy serves both their interests. It means that BT is accountable only to Oftel, and that Oftel is accountable to nobody.

The refusal to publish information means that the public is not in a position to judge whether Oftel is being too soft on BT to the detriment of its customers or whether Oftel has balanced the interests of different types of customers in the right way.

Last week's white paper on telecommunications was accompanied by a new formula for controlling BT's prices, which included international services for the first time. Did BT get off lightly, as some City analysts suggest, or was the new formula "fair", as Sir Bryan Carsberg, Oftel's director general, claims?

And was a new scheme for protecting poorer customers from hefty phone bills the fairest solution? Without the publication of the costs and benefits of a range of options, the public has no way of judging.

The practice of deciding important regulatory matters behind closed doors harms the public interest, leaving the final decision-making to one man; although Sir Bryan is highly respected he is by no means the only expert on the telecommunications market.

BT should be forced to publish revenues, costs and profits for each of its main services. This would allow outsiders to judge whether its charges are reasonable. The company should also be required to divulge information on the cost and quality of its services on a region by region basis, as suggested in a recent report by the *National Consumer Council*. This would provoke the regions to compete with one another to improve efficiency and quality.

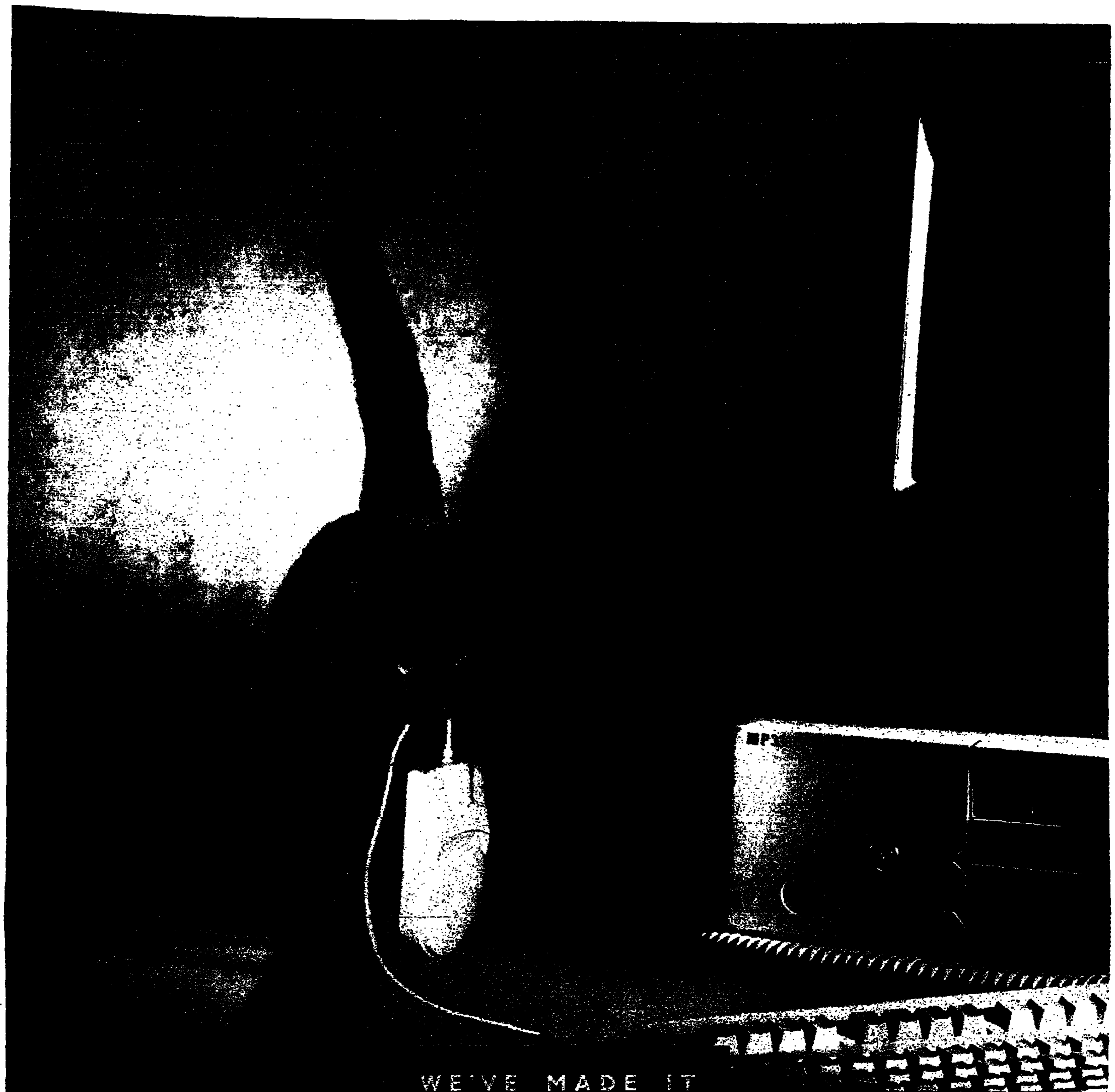
BT's objection to publishing information is that it is commercially confidential. It argues that no other company would be expected to open its books to the public.

However, BT is no ordinary company. It has more than 90 per cent of the telecommunications market and the public has a legitimate interest in knowing that it is not abusing its position to overcharge customers or squash competitors.

BT's argument that publishing information might help its competitors should be seen as a reason *for* doing this as soon as possible rather than the reverse. The faster competition is established, the better.

The current duopoly of infor*mation is a barrier to entry to* the telecommunications mar*ket. In a normal market*, potential entrants would be able to decide whether they had a sustainable competitive advantage by looking at the price being charged in the market. However, this is not possible in the telecommunications market because it is riddled with cross-subsidies from one part of the business to another, meaning that prices often bear little relation to costs.

It is disappointing that the government decided not to force BT to divulge more information as part of the duopoly review, but some consolation that Sir Bryan intends to be more pro-active in his own authority. He should exercise this authority to its limit because the free flow of information is essential to the proper functioning of the free market.



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FT LAW REPORTS

Oil pipeline sabotage uninsured

NATIONAL OIL CO OF ZIMBABWE (PRIVATE) LTD v STURGE
Queen's Bench Division (Commercial Court): Mr Justice Saville: February 26 1991

AN "INSURRECTION" for insurance purposes is an organised and violent internal uprising within a country, the main purpose of which is to overthrow or supplant that country's government; and accordingly, a policy which excludes loss arising from "insurrection", excludes sabotage by an internal resistance force seeking to overthrow the government, irrespective of whether that force is supported by foreign countries for reasons of their own.

Mr Justice Saville so held when giving judgment for the defendant representative underwriter, Mr Nicholas Collwyn Sturge, on a claim by the National Oil Company of Zimbabwe (Private) Ltd and five other oil companies, for indemnity under a marine cargo insurance policy.

HIS LORDSHIP said that between July 14 1982 and January 5 1983, supporters of the Mozambique National Resistance (Renamo), blew up the Beira to Feruka pipeline in Mozambique five times, and caused an explosion and fire at the Beira Oil Tank Farm.

Losses of gas oil and Mogas resulted, and were the subject of the claim under a marine cargo insurance policy subscribed by Lloyd's underwriters.

The policy incorporated the Institute Strikes Clauses, dated January 1 1982. By clause 1.1.2 the risks covered included loss or damage caused by "any terrorist or any person acting from a political motive".

Clause 3.10 provided that "in no case shall this insurance cover ... loss ... caused by war, civil war, revolution, rebellion, insurrection, or civil strife". The underwriters accepted the losses were *prima facie* covered by clause 1.1.2 but contended they were excluded by clause 3.10, because they were caused by civil war, rebellion or insurrection. In the context of a commercial contract, "civil war", "rebellion" and "insurrection" bore their ordinary business meaning.

In that context "civil war" meant a war with the special characteristics of being civil, ie internal rather than external (see *Spinney's v Royal Insurance [1980] 1 Lloyd's Rep 406,429*).

"Rebellion" and "insurrection" each meant an organised and violent internal uprising in a country with, as a main purpose, the object of trying to overthrow or supplant the government of that country – though "insurrection" denoted a lesser degree of organisation and size that "rebellion" (see *Home Insurance v Davila (1954) 212 F2d 731*.

Until 1975 Mozambique was a Portuguese colony. In 1962 the Front for the Liberation of Mozambique (Frelimo) was founded. It was an anti-colonial movement which employed violent means to achieve its ends. In 1974 there was a successful military coup in Portugal. The new Portuguese government gave Mozambique full independence under Frelimo in June 1975.

Those events caused violent unrest among white settlers and many left the country.The Frelimo government embarked on wholesale nationalisation. It enforced "villagisation" which involved compulsorily moving people from their traditional homes and re-establishing them in communal villages under new Frelimo local leaders. It set up "re-education" camps where people who fell foul of the new authorities were incarcerated.

A considerable number of Mozambicans became resentful or opposed to the Frelimo government.

Until 1980 the scale of the Renamo operation was limited and in the main confined to areas of Mozambique relatively near the border with Rhodesia.

In the latter part of 1980 its activities increased. They included atrocities such as murder, mutilation and wholesale destruction of property, as well as specific acts of violence clearly designed to sabotage the Mozambique economy.

The question was whether the violent activities of Renamo, including the relevant acts of sabotage, amounted to attempts by an organised internal uprising to overthrow the Frelimo government.

Many of those who had spoken or written about the events in Mozambique had been influenced by political needs or sympathies. Such influences often tended to cause the true position to be concealed, obscured or misrepresented. It could not be denied that that was the case with a great deal of the material before the court. A further difficulty was that nearly 10 years had passed since the relevant events.

The court tried to bear those considerations in mind. Its views were expressed on the basis of the material before it and should not be understood as an attempt to produce a definitive account of the history of Mozambique or Renamo over the period in question.

By 1979, with logistical and other support from Rhodesia, Renamo had base camps inside Mozambique and carried out a number of attacks on railways and administration posts in the northern provinces. In March 1980 Rhodesian support came to an abrupt end as that country became independent under the new government of Mr Robert Mugabe.

It was suggested that Renamo was to all intents and purposes the creature of the Rhodesians, and so lacked from the outset an essential ingredient of a civil war, rebellion or insurrection – namely something in the nature of a spontaneous internal uprising.

The court was unpersuaded. The true analysis was that the Rhodesians were initially responsible for Renamo in the sense of realising that there were sufficient disaffected Mozambicans who if given support and assistance in organising, could provide a potent force inside Mozambique that could be used to Rhodesia's advantage.

The force, though fostered by Rhodesia, was motivated by a hatred of the Frelimo government and desire to overthrow it. To a large degree its operations were controlled by the Rhodesians for their own reasons, but those operations largely coincided with what Mozambicans wishing to overturn the Frelimo government wanted to do anyway.

After the change of government in Rhodesia South Africa quickly took over Rhodesia's role. A force which could be used to cause economic destabilisation in the region and maintain South Africa's economic dominance had great attraction.

South Africa to a large degree controlled Renamo operations. As with Rhodesia, it was suggested that Renamo were in effect mercenaries or irregulars exclusively devoted to carrying out South African aims and purposes.

The material before the court demonstrated that while South Africa largely controlled and directed many of Renamo's economic sabotage activities, the indigenous leadership had its own plans which did not always coincide with those of South Africa.

From the material before it the court was satisfied that the Renamo leaders wished to overthrow the Frelimo government. They appreciated that without South African help they had no real chance of success, and so took that help with all its attendant disadvantages.

It followed that even those attacks which the Renamo leadership was loath to undertake were carried out to further the Renamo objective, since they were done to secure continued South African support. Renamo's fundamental aim was simply to overturn the Frelimo government. That was what the Renamo leaders said and what Renamo propaganda constantly reiterated.

Some accounts suggested that Renamo recruited by terror or coercion. Therefore, it was submitted, its members could not be described as taking part in a civil war, rebellion or insurrection.

Because many local people might well have become disenchanted or terrorised by Renamo and its activities did not mean that its organisation could not constitute a violent internal uprising. The force was almost entirely made up of black Mozambicans, and the purpose was to topple the Frelimo government. The suggested lack of support only went to the degree of popularity of the uprising, not to its existence in the country.

In those circumstances the relevant losses were caused by an insurrection within the meaning of the policy.

It was not necessary for the court to decide whether the situation had developed into a "rebellion" or a "civil war".

For the oil companies: Bernard Rix QC and Geraldine Andrews (Elborne Mitchell)

For the underwriters: Michael Beloff QC and Steven Berry (Ince & Co)

Rachel Davies
Barrister

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MANAGEMENT: The Growing Business

Property

The neglected asset

Many companies either do not, or find it difficult to, realise the full value of their buildings, reports **Charles Batchelor**

The 10,000 square feet of spare office space at VDU Installations' Bracknell, Berkshire, factory would provide a useful boost to cash flow if the company could let them off. Rita Battersby, chairman and chief executive of the £6.5m turnover business, which installs computer wiring networks, wants to get some return from the office space now that the recession has slowed her plans for growth.

Unfortunately for Battersby, her lease prevents her from sub-letting, though she is hopeful she can persuade her landlord, the Scottish Amicable Life Assurance Society, to modify the terms. But by the time the changes are negotiated and tenants found many months will have gone by.

It was the prospect of an imminent rent review which made Battersby more than usually conscious of the need to get the best value from the 47,000 square foot site she leases. In general, though, businesses both large and small do not make the best use of their property assets.

Many businesses did not know the market or rental value of their property and had not carried out any detailed cost-benefit analysis, according to a survey* of 230 large companies and public sector organisations carried out by Reading University in 1989. None of those surveyed monitored how much its property helped or hindered its operations.

"If the big companies don't have a clue about property what chance is there for the smaller business," says Virginia Gibson, one of the authors of the Reading study. "I suspect that small companies don't take any action until there is a rent or rates review."

This neglect of the property aspects of business is surprising given its importance for most companies' finances. For many businesses, property costs - rents or interest payments, maintenance, cleaning and security - are second only to salaries in importance while property accounts for 30 per cent or more of total assets in many balance sheets.

Another study, entitled Putting Spare Space to Work†, found that most small business managers were unaware that they had excess space. Few realised that by sub-dividing their premises and renting the unwanted room they could make a big contribution to the financial health of their business.

The return on money invested in subdividing property, in this study, averaged 144 per cent in the first year alone. For some companies, which needed to do very little building work or refurbishment, the rewards were even higher. The income from letting off surplus space boosted company cashflow and in some cases contributed to the survival of the business, the authors concluded.

Sensible property management may do a lot for a business but many companies underestimate the complexity of the property field, according to Jonathan Coren, a director of Assetguard, a London-based consultancy. "If a board starts to discuss computers people will say they do not understand and will call in an expert. But if they plan to spend £500,000 on property everyone has an opinion. Because everyone has bought a house at some time they all believe they are property experts." Most companies deal with property at a fairly junior level, appointing an estates manager who may report to the finance director. This means that property is not included at an early stage in the business's long-term strategic planning. If the company does appoint a non-executive director with property expertise he is often chosen because he is known to the executive directors rather than for his expertise in the area of property most relevant to the company, claims Coren.

Given the long-term nature of most property investments businesses need to plan well ahead, Reading University's Gibson urges. Businesses should, for example, monitor rental trends in their sector and in their locality to see the size of increases that landlords are seeking. They can then decide in advance whether they can afford to stay put or whether they need to consider relocating.

Most businesses which have progressed beyond the founder's garage move into rented premises as they grow because it does not make sense to tie up their scarce financial resources in owning property. But once they become established they often put some of their surplus funds into acquiring their own freehold premises.

Rita Battersby: lease prevents her from sub-letting space currently spare to needs of computer wiring network business

"Our freehold properties have been a great 'hedge' against problems over the years," says Anthony Poeton, managing director of A.T. Poeton & Son, a Gloucester-based supplier of surface coatings with turnover of nearly £5m.

"When we are profitable we spend our money on land and buildings. As a private business we are not out to maximise profits so we can take a long term view. If we operated from leasehold premises the rent costs would force us to cut back in difficult times."

Poeton, who has worked at his company's subsidiary in Germany, contrasts British attitudes to owning property with those in Germany. German companies are not driven by the same need to acquire a hedge against inflation as their British counterparts, he says. A.T Poeton last year sold some premises in Germany for the same price it had paid in 1978 in a deal which, in German terms, was quite satisfactory.

As businesses grow further they may once again revise their attitude to owning property. Ash & Lacy, a publicly-quoted galvanising and metal manufacturing company, is attempting to turn some of its property assets into cash to help finance acquisitions.

"The company policy was always to have freehold property and we also have premises bought as financial investments," says Howard Marshall, managing director of the Smethwick, West Midlands-based company, which has turnover of more than £60m. Marshall's policy now is to put any spare cash to work in the business itself. This was prompted partly by a revaluation of the company's property holdings which showed that they represented nearly half of its total balance sheet value.

Ash & Lacy is now looking for a buyer for one office block in Halesowen – though Marshall says he believes the property could double in value if he waits a year or two – while he is also trying to let surplus space in warehouses in Corby and Rochdale. The recession has made it difficult to find tenants however.

A problem faced by companies, where the main business is not property, is that they are not always prepared to adopt a sufficiently commercial approach. "Property companies will offer inducements to get tenants to come in," says Richard Domb, a partner in De Groot Collis, an estate agent.

"But the average owner manager is not familiar with the market place and he is not willing to offer a six months rent-free period or help with fitting out the premises. He is often reluctant to take our advice."

Owners may also be reluctant to rent out their property on long lets fearing that they will not be able to regain possession if the economy improves and they need the space again themselves. "Renting out is dangerous," says Tom Lyon, chairman of Clam-Brummer, an east London manufacture of paints and adhesives with sales of £5m. "If you want the premises again for your own purposes you may not be able to get the people out." Taking on tenants for short-term lets need not be a problem, however, if the contract is worded carefully, says Jonathan Coren. Agreements can be reached which protect the landlord's rights, he says.

Businesses may, however, run into problems with a clause in some leases which prevents them from sub-letting space at a price lower than they themselves are paying the landlord. The main leaseholder may be prepared to sublet at a lower rate than he is paying simply to get the cash in but the ultimate landlord may forbid this because he regards it as reducing the value of his property.

As well as bringing in much-needed cash, letting spare space also enables companies to share the burden of heating, lighting and rates. An additional bonus is that they are providing premises which can help another generation of businesses to get started.

**Managing Operational Property Assets. Department of Land Management and Development, University of Reading. Tel. 0734 875123. £30. †By Howard Green, Paul Foley and Irene Burford. For Small Business Research Trust. Tel. 0908 655831.*

Bluebell gets set to raise steam to realise a dream

Charles Batchelor on the railway's plans to raise further funds

At first sight the prospects for a share issue which promised no dividend payments and the certainty of a sharp fall in capital values within three to four years would appear to be bleak. But Bluebell Railway, the Sussex steam railway, is hoping for a good response from rail enthusiasts to its latest £1m fund raising.

The company – Bluebell is a plc – is currently raising money to replace a bridge and relay tracks on 3½ miles of the original track bed which it has acquired in recent years. This will bring it within two miles of British Rail' East Grinstead station and the realisation of a 30-year old dream to recreate the line sold off piecemeal after the Beeching closures of the 1960s.

The main advantage of a share issue of this kind is that it is a cheap way of raising money. Graham Flight, an accountant who is company secretary to the railway, estimates the direct costs at just £32,000 though some professional services have been provided by local firms at below market rates.

The attraction of the issue to purchasers of the shares is the perks – two return tickets worth £7 for every 100 shares held and four return tickets plus two "wine and dine" tickets worth nearly £40 for holders of 1,000 shares. These concessions are available annually for three years and will then be reviewed depending on whether the railway needs to raise more funds.

Perks are sometimes given by publicly quoted companies but always in addition to the prospect of dividends and capital appreciation. Not only does the Bluebell Railway pay no dividends, its shares decline steeply in value once issued. The company offers to match bargains if shares come up for sale but Flight says recent deals have been done at prices around £10 for 100 shares, a tenth of par value.

Shares usually only come on to the market following the death of the owner. This is the railway's second share issue – nearly 500,000 shares were issued in 1986 – though it has considered other ways of raising money. It has attempted to gain Business Expansion Scheme (BES) tax status for its share issues but did not qualify because the Bluebell Railway Preservation Society, the hard core of nearly 6,000 enthusiasts, owns more than 51 per cent of the shares.

A public listing of the shares would be inappropriate for a mix of "financial and political" reasons, says Graham Flight. The railway is not intended to be a purely commercial venture and making a share issue as a quoted company would also be considerably more expensive. These considerations have not stopped another steam railway, the Severn Valley Railway, however. The Severn Valley pays no dividends but has BES status and its shares are traded on the stock market on a matched bargains basis under rule 535.

Share issues inevitably raise the prospects of a hostile takeover but the society intends to maintain a majority holding. Anyone attempting to buy shares from other shareholders would also be dealing with enthusiasts keen to preserve the character of their railway.

The opportunities for adopting the Bluebell Railway's approach to fund raising are probably limited though a growing interest in Britain's industrial past may make it an appropriate method for other ventures in the museums and leisure field. Share prospectuses produced by other steam railways show signs of having borrowed from the Bluebell approach, says Graham Flight.

Copies of the prospectus and application form can be obtained from The Bluebell Railway plc, Sheffield Park Station, Near Uckfield, Sussex TN22 3QL. The minimum purchase is 100 £1 shares.

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For further information contact either Steve Akers or Ralph Preece at the addresses listed below.

Mr S. J. Akers
55/57 High Holborn, London WC1V 6DX.
Tel: 071 405 8799. Fax: 071 831 2628.

Mr R. S. Preece
10-12 East Parade, Leeds LS1 2AJ.
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For further information, please contact the Joint Administrative Receiver, Robert Ellis, at the address below.

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For further details, please contact Ralph S. Preece or Gurpal S. Johal, Joint Administrative Receivers, at the address below or Sean Hale on 0482 701121.

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Chagall: master of creative resource

William Packer visits the Fondation Pierre Gianadda

The Fondation Pierre Gianadda at Martigny in Switzerland was set up only in the late 1970s and in a remarkably short time has succeeded in establishing itself as an international cultural centre of real importance. Its programme of major exhibitions now continues with *Marc Chagall in Russia* (until June 9).

Chagall was of course Russian, born into the Jewish community at Vitebsk, in old White Russia, in 1887. The show concentrates on his early career, that is to say before he left for Paris in 1910 and after his return to Vitebsk in 1914, the outbreak of the First World War forestalling his planned return abroad. It is drawn entirely upon Russian museums and private collections, with much of the work never shown even in Russia before. As always at Gianadda, it is beautifully chosen and installed, succinct and to the point.

Chagall died only in 1985, to some extent the victim of his eternally prolific output, prodigal pictorial invention and genius for the decorative. He was perhaps the most accessible of the great painters of that *golden age of early modernism* in the Paris of Picasso and Modigliani and the Ballets Russes, of post-impressionism but lately ramifying into fauvism, high cubism, expressionism and incipient surrealism. Chagall was always the chronic and irredeemable independent, but that is not to say he was not aware of all else that was going on, nor that, being aware, he took no notice.

What is interesting here is to confront almost for the first time the effect upon him, at the age of 27 or so, of his having been suddenly marooned, cut off from the primary stimulus of his peers and all the incidental excitement of Paris at is most sophisticated and cosmopolitan. And far from being frustrated at being thus stuck in provincial Russia and thrown back upon his own immediate creative resources, the sense is one of happiness and contentment.

In 1915 he married Bella Rosenfeld, and at once an air of happy domesticity suffuses the work. A number of large symbolic canvases of this period are shown. Two lovers float high and blissful above Vitebsk in a pale morning light, the town deserted but for a green goat and a tiny figure squatting behind the fence. Or again the lovers make a celebratory *Promenade* to picnic outside the town, Chagall himself waving his wife high above his head, like a flag.

But along with these great symbolic and idealised works comes a whole group of smaller images, often on card or paper, of the house and garden of Bella's parents at Vitebsk, where they were living after 1917. These are all intimate, indeed *intimiste* landscapes and interiors, echoes of Bonnard and Vuillard, directly observed in their immediate relation to the shared daily life, the chairs against the window, figures passing outside, flowers, books and the usual domestic debris on the table.

Such things are not a surprise, rather more a corrective in that for all the inventive pictorial extravagance of the more familiar Chagall, they set him deep in the rational observation of the visible world. To return from them to the larger compositions is therefore to read again more closely the context of that familiar dream world, with its dislocated perspectives and surreal conjunctions, in which creatures of the imagination float and twist about the sky. Chagall is no realist, but a wry and close observer of *la commedie humaine*.

As for the formal and technical qualities, nothing can be achieved in a moment, without thought or consideration. The work of this early period, with here the few years from 1917 the most concentrated and productive, is all beautifully made, with a lightness of touch on the surface and a crispness of definition that belie the heaviness and self-repetition of so much to come. The drawing is endlessly inventive in these paintings, turning a foot or a profile, or a corner of the street, or an odd jumble of houses, with the utmost delicacy and nicety of visual wit. And always there is the formal currency of contemporary art, introduced not as any self-conscious signal but as the natural function of experience modified through personal sensibility. He was no cubist, for example, but could see what cubism might offer him in terms of the manipulation and control of space. Aware of abstraction, but never to succumb to it, he could yet exploit its disciplines to the full in the organisation of his compositions.

Such qualities are most apparent in the great panels he made in 1920, originally as a private commission but later adapted to decorate the Theatre of Jewish Art in Moscow. Long thought lost, they somehow survived folded up in the storerooms of the Tretiakov Museum in Moscow, and newly restored are here shown in public for the very first time. Four large panels personifying in turn Music, Dance, Literature and Theatre, were to sit between the windows. A single panel, narrow and immensely long was perhaps to fill the space above them. A large square canvas was the drop curtain, while the largest them of all was to fill entirely the room's longest wall.

They are ravishing things, lightly painted in pigment bound in glue size rather than oil, common enough for decorative and theatrical schemes but horribly fragile. That fragility of surface in fact is their triumphant quality, for through it the incisive refinement of the drawing comes through with wonderful clarity, quite as much in the bottles, plates and decanters of the curiously inverted long high still-life, as in the more mischievous and sometimes ribald figuration on the major piece, with its clowns and acrobats, strange beasts and assorted, genial buffoons.

The show is engagingly completed by the cycle of etchings and engravings that Chagall carried out, after his return to Paris in the mid 1920s, to illustrate Gogol's *Dead Souls* for the dealer, Ambrose Vollard.

'Au-Dessus de la Ville', 1914-1918 by Marc Chagall

Le nozze di Figaro

GRAND OPERA HOUSE, BELFAST

Opera Northern Ireland's resources may be modest in comparison with most of its mainland counterparts, but its artistic ambitions show few signs of compromise. The Belfast productions of *Faust* in 1989 and *The Magic Flute* last autumn were enthusiastically reported here by Max Loppert, and the *Figaro* that has just ended a week-long run at the Grand Opera house is similarly serious in its intentions and thoroughly imaginative in its realisation.

One of the ways in which the company remains distinct from its British rivals is in casting. For local, administrative reasons it finds hiring non-British and non-EC artists a more practical possibility, so that *Figaro* could include young Americans and East Europeans alongside home-bred singers. The producer was Tim Coleman, formerly Dramaturg at Netherlands Opera and now based in New York: with his designer Tim Reed they had made, if there can be such a thing, an unobtrusive modern-dress staging. So Aguas-Frescas becomes Freshwater Castle, somewhere in the English shires in the late 20th century; Almaviva is a huntin' shootin' fishin' country squire, with a young wife in immaculately pressed denims, a young married couple clearly still rich enough (we are definitely talking Old Money here) to support a full complement of family retainers.

Conscious anachronisms are strictly rationed and carefully made comic: Susanna loads a washing machine while she and Figaro discuss their future living arrangements, the Count suddenly brandishes a portable phone to summon Marcellina in the second-act finale, Barbarina disco-dances through the wedding party. Perhaps *droits de seigneur* seems an unlikely issue in such a setting, but the whole point of Coleman's production is how timeless the use and abuse of power and position is, not in a straightforward political sense – that whole revolutionary side of the opera has been defused by the change of period – and how this 1990s Almaviva would think nothing of harassing and exploiting his women workers, and of abusing his wife's trust, just as unthinkingly as his ancestors.

So there is real purpose in restoring Marcellina's Act 4 aria, "Il capro e la capretta" and making it a crucial prop of the production's thesis; she addresses it to an incomprehending Barbarina, as if trying to warn the youngest generation against repeating the mistakes of their elders, railing against men's unfairnesses to women. Such a moment, and the sharp anguish lent subsequently to Figaro's "Tutti e tranquillo", give a genuine bleakness to the last act, a sense of pain that cannot be relieved entirely by the final "Ah! tutti contenti". This is altogether a much weightier *Figaro* than, for instance the Opera Factory version which opened in London two weeks, and one in which every character is shaken up by their experiences to emerge. *Così*-like, a little wiser and undoubtedly a little sadder too.

It was all combined with singing that (the rather frail chorus excepted) was never less than adequate and in a couple of roles was quite outstanding, with alert, accomplished orchestral playing from the Ulster Orchestra and conducting by Kenneth Montgomery that made good sense of all the structural proportions, and traced a sure dramatic curve through each act.

The Figaro of Robert Heimann was personable, suave, but vocally a little bland – gabbling recitative, not digging into arias as he might have done – the Susanna of Kathryn Magestro compassionate,quick-witted and delivered with relaxed flexibility, if occasional rough patches of tone. Maria Jagusz's Cherubino, complete with baseball cap, Mozart T-shirt and trainers, was just a little too insecure technically to quite bring off what would have been a perfect match for Tinuke Olafimihan's anarchic Barbarina. William Mackie's tweedy, pipe-smoking Bartolo and Kevin West's smarmy Basilio, with an interest in Cherubino that is anything but platonic, were crisply drawn, efficiently sung, while Angela Hickey recovered from an uncertain start to bring real fire and spite to Marcellina's big moment of revenge.

The persistent memories though will be of Johannes Mannov's elegant, rather oily Count, building every phrase with precise point and freely produced, if not enormous tone, and especially of Dagmar Schellenberger's fascinatingly drawn Countess, making every glance and every syllable tell, building up the portrait line by line, gesture by gesture, with silvery pure tone and immaculate poise. She has clearly learnt a great deal from working with Kupfer at the Komische Oper, and is going to be appreciated in the coming years in many more opera houses.

Andrew Clements

Johannes Mannov and Dagmar Schellenberger

Cromwell

BUSH THEATRE

The reaction provoked by publication of Brendan Kennelly's poem cycle *Cromwell* in Dublin in 1983 extended, or so he he says, to physical assault in the street. He can take it as a backhanded compliment, acknowledging the strength of the dialectic this 160-poem sequence sets up between the English conqueror and the spirit of Ireland, somewhat equivocally lodged in a "rubful of meditative guts" called Buffún.

Kennelly, a literature professor at Dublin University, invokes a Spenserian tradition of political allegory in his depiction of a nation terrorised by giants and serpents. Cromwell is both the spivish manager of Drogheda United FC, a genocidal maniac and a world-weary warrior looking for a peaceful retirement home. One minute we are being addressed by an elephant-eating alligator, and the next we are witnessing the gruesome effects of a van-bomb explosion outside a hotel. If Cromwell is not all bad, neither are the Irish all good.

The cycle comes to the stage as part of the London Irish festival Siol Phadraig by a Polish director Maciek Reszczynski, in a style and a colouring that owe more to European expressionism than to the jagged brightness of Kennelly's writing.

The poems are performed from a tarpaulin-swathed platform topped by a big brass bedstead beside which the blubbery Buffún of Vincent O'Shea, belly quivering over grubby longjohns, witnesses his own conception and other atrocities. He is an engagingly human figure, innocent and slightly stupid, in a slime of squirming bodies and dismembered voices that represent the realpolitik of Ireland. Among them stalks the butcher Cromwell, tin-hatted and spearing dissent with a garden fork.

A similar treatment was given by the performance group Dereck Dereck to Ted Hughes' epic poem *Gaudete* at Islington's Almeida Theatre a couple of years back. That sprawling, over-ambitious and under-cut staging had the benefit of a visual eccentricity which lent itself to the changing perspectives and quirky humour shared by two otherwise very different works.

There are sequences in Reszczynski's adaptation, such as the line of backstabbers emerging from a hell-hole in the centre of the stage, that admirably defy the *spacial limitations of the Bush. But his* style is too uniformly drab and portentous to capture the ironic diversity of Kennelly's vision. There is not enough contrast, not enough light relief and too many writhing bodies.

Claire Armitstead

Alastair Muir

Writhing bodies in Maciek Reszczynski's production

Mozart 2000

BARBICAN HALL

Fresh from his titanic Brahms of two nights earlier, Daniel Barenboim returned on Saturday to Mozart and his early collaborators, the English Chamber Orchestra. Back in 1962 Barenboim and the orchestra embarked on a close working relationship in the music of Mozart, which was to lead to recordings of all the piano concertos and the later symphonies.

Since then many new fashions in Mozart interpretation have gone on parade. These days conductors such as Solti or Mackerras are keen to achieve the sort of articulation that we know from period instruments even when they are working with full-scale symphony orchestras. Barenboim used a slimmed-down ECO for this concert, but ironically he was quite unrepentant about the rich 19th-century sounds he demanded from it.

The conductor doubled as pianist, as he did in the past. As part of the Barbican's Mozart 200 festival, he offered a programme which mixed early and late works rather than staying within the festival's year-by-year chronology. There was little distinction made as to the music's period and the *early G Minor Symphony, No* 25, gave warning of the sort of music-making to expect, with romantic strings and roaring horns.

At least Barenboim is no Dresden-china Mozartian. It is quite possible to admire him as a Mozart pianist for the marvellous range of expression that he draws from the music, while still feeling that what he is doing is misconceived. The soul-searching that went on in the slow movement of the E flat Concerto, K.271, had enough conviction to win over the most staunch unbeliever, even if the central section of the finale did not.

The Symphony No 39 opened with a remarkably portentous introduction. True to form, this was a weighty and emphatic performance that gave most pleasure when the ECO's first-rate wind soloists were at work, least when the orchestra *was led a flat-footed dance* through the minuet and into some congested textures in the finale. Even 20 years ago I found Barenboim's Mozart lacking in clarity and straightforward classical thinking. Now the style of Mozart playing has moved on, to my mind for the better.

Richard Fairman

Prize for trumpeter John Wallace

John Wallace, principal trumpet with the Philharmonia *since 1976, has been awarded* the Europapreis, sponsored by Mercedes Benz. In addition to receiving a substantial cash prize, Mr Wallace has been invited to perform with the Dresdner Staatskapelle on May 1 next. This will be his German debut as soloist.

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Anton Kersjes conducts Netherlands Philharmonic Orchestra in Wagenaar's overture Amphitrion and Franck's Symphony in D, with Emmy Verhey soloist in Bruch's Violin Concerto. Tomorrow: Wolfgang Sawallisch conducts a free lunchtime concert with Concertgebouw Orchestra, followed by a Beethoven programme in the evening, repeated Thurs (6718 345)

■ BERLIN

Staatsoper unter den Linden 19.30 An evening of classical ballet after Fokine and Petipa. Fri: Giselle (2004 762)
Deutsche Oper 19.30 Heinrich Hollreiser conducts Ponnelle production of Fidelio with Janis Martin as Leonore. Sat: Tosca. Sun: Die Zauberflöte (3410 249)
Berliner Ensemble 19.00 The Threepenny Opera, also Sat. Fri: Galileo (2827 712)
Deutsches Theater 19.30 Kleist's The Broken Jug. Fri: Lessing's Nathan the Wise. Sat: Goldoni's The Servant of Two Masters (2871 225)
Kammerspiele 19.30 Ibsen's John Gabriel Borkman. Thurs: Ibsen's Ghosts (2871 226)
Schaubühne 19.30 Luc Bondy's production of The Winter's Tale, also Thurs (890023)
Volksbühne 20.00 Neil Simon's The Last of the Red Hot Lovers, *also Fri (2082 748)*

■ FRANKFURT

Alte Oper 20.00 Piano recital by Peter Serkin, with music by Chopin, Beethoven, Brahms, Oliver Knussen and Alexander Goehr (1340 400)
English Theater Kaiserstrasse 20.00 Arthur Miller's play All My Sons. Runs till end of April (242 3160)

■ LONDON

MUSIC
Covent Garden 19.30 Jacques Delacote conducts Elijah Moshinsky's production of Samson et Dalila, decor by Sidney Nolan, choreography by David Bintley, with a cast led by Claire Powell and Michael Sylvester, also Thurs. Tomorrow and Fri: Il barbiere di Siviglia (240 1066)
Coliseum 19.30 Jonathan Miller's English National Opera production of The Turn of the Screw, with Eilene Hannan as the Governess. Tomorrow and Sat: Rusalka. Thurs: Salome. Fri: Reimann's Lear (836 3161)
Royal Festival Hall 19.30 Yevgeny *Svetlanov conducts* Philharmonia Orchestra in all-Russian programme, including Rakhmaninov's The Bells. Fri: Svetlanov conducts another Russian programme (928 8800)
Queen Elizabeth Hall 19.45 Recital by Igor Oistrakh accompanied by Natalia Zertsakova. Tomorrow: Opera Factory production of Le nozze di Figaro (928 8800)
Barbican Centre 19.45 Mark Wigglesworth conducts BBC Symphony Orchestra in world premiere of Howard Skempton's Lento, plus Wagner's Prelude to Act 1 of Parsifal. Tomorrow: Yuri Bashmet plays Mozart (638 8891)
THEATRE
This week's shows include a *revival of Theatre de Complicite's* award-winning production of Dürrenmatt's The Visit (National), William Nicholson's new play Map of the Heart, set in wartime Sudan (Globe), *Peter Hall's production* of Twelfth Night (Playhouse), Anouilh's comedy The Rehearsal (Garrick), Joe Orton's classic black comedy What the Butler Saw (Wyndham's) and Alan Bennett's adaptation of The Wind in the Willows directed by Nicholas Hytner (National). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Auditorio Nacional de Musicà *19.30* Piano recital by Andre Watts. Tomorrow: concert by Spanish National Orchestra (337 0100)

■ MUNICH

MUSIC
Staatsoper 19.00 Heinz Fricke conducts Henning von Gierke's production of Der fliegende Holländer, with Robert Hale as the Dutchman and Luana DeVol as Senta, also Sat (221316)
Philharmonie *20.00 Bruno* Schneider is horn soloist in a concert by the Orchestra da Camera di Padova e del Veneto. Tomorrow, *Thurs*, Fri and Sun: Celibidache conducts the Munich Philharmonic (48098 614)

■ NEW YORK

MUSIC
Avery Fisher Hall 19.30 Christopher Keene conducts New York Philharmonic Orchestra in Walter Piston's Fourth Symphony, with *Arleen Auger soloist in Ravel's* Sheherazade. Thurs, Fri and Sat: Paavo Berglund conducts Beethoven, Mozart and Prokofiev (874 2424)
Carnegie Hall *20.00 Zubin Mehta* conducts Israel Philharmonic Orchestra in Dvorak's Seventh Symphony and Beethoven's Violin Concerto, with Itzhak Perlman. Thurs: *Mehta conducts Mahler's* Ninth (247 7800)
Metropolitan Opera 19.30 Jiri Kout conducts Der Rosenkavalier with Mechthild Gessendorf as the Marschallin, *Tatiana Troyanos as* Octavian and Aage Haugland as Ochs, also Fri. Tomorrow: Katya Kabanova. Thurs: new production of Parsifal (362 6000)
DANCE
New York State Theater 20.00 Joffrey Ballet in Romeo and Juliet, music by Prokofiev. Season runs till Sun (870 5570)
THEATRE
This week's shows include Lost in Yonkers, Neil Simon's new play directed by Gene Saks (Richard Rogers), Once on this Island, musical by Lynn Ahrens and Stephen Flaherty based on Rosa Guy's 1985 novel My Love, My Love (Booth), Taking Steps, acclaimed *production of Ayckbourn farce* about the breakdown of a suburban marriage (Circle in the Square) and The Big Love, a comedy starring Tracey Ullman (Plymouth). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

MUSIC
Opéra Bastille 19.30 *Myung-Whun* Chung conducts Andrei Konchalovsky's production of Queen of Spades, with Vladimir *Popov* as Hermann and Sergei Leiferkus as Tomsky, also Fri. Tomorrow and Thurs: Chung conducts concert of Wagner and Strauss, with Gwyneth Jones (4001 1616)
Salle Pleyel 20,30 Gerard Schwarz conducts Ensemble Orchestral de Paris. Thurs: Chopin recital by Nikita Magaloff (4561 0630)
DANCE
Palais Garnier 19.30 Nederlands Dans Theater in two ballets by Jiri Kylian, music by Stravinsky and Ravel. Runs till Fri (4742 5371)
Opéra Comique *20.00 Paris Opera* Ballet in Coppélia with designs based on original 1870 Paris production. Repeated tomorrow (4286 8883)
THEATRE
Comédie Française 20.30 Gildas Bourdet's new production of Le Malade imaginaire by Moliere, also Fri, Sat and Sun. Tomorrow: La Mère coupable (4366 4360)
Théâtre des Amandiers Nanterre 21.00 Alain Francon's new production of Hedda Gabler, runs till March 24. Also in Salle Polyvalente: Waiting for Godot, runs till Sun (4721 1881)

■ ROME

Teatro dell'Opera 20.00 Gustav Kuhn conducts Francesca Zambello's production of Ariadne auf Naxos. Also Thurs, Sat and Sun (463641)

■ ROTTERDAM

De Doelen Grote Zaal 20.15 Valery Gergiev conducts Rotterdam Philharmonic Orchestra in suite from The Nutcracker, plus Brahms' Violin Concerto with Isabelle van Keulen. Repeated tomorrow, Thurs and Sun (413 2490)

De Doelen Kleine Zaal 20.15 Orlando Quartet with George Pieterson, clarinet, play Mozart *chamber music*. Tomorrow: Robert Holl sings Winterreise (413 2490)

■ VIENNA

Staatsoper 18.30 *Cosi fan tutte* with Eva Johansson as Fiordiligi, Lucio Gallo as Guglielmo and Jerry Hadley as Ferrando. Tomorrow: new production of La Clemenza *di Tito (51444 2960)*

Musikverein Grosser Saal 19.30 David Geringas is cello soloist in all-Russian programme with *Soviet State Symphony Orchestra* conducted by Vassily Sinaiksi (505 8190)
Musikverein Brahms-Saal 19.30 Vienna Schubert Trio plays piano *trios by Haydn and Smetana*. Tomorrow: London Baroque play music by Handel, Bach, Vivaldi and Mozart (505 8190)
Konzerthaus 19.30 Heinz Holliger and Maurice Bourgue play oboe sonatas by Zelenka, Telemann and others. Tomorrow: Johann Joseph Fux's oratorio La Depositione dalla Croce di Gesu (7124 6860)

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Tuesday March 12 1991

Mr Major's break-out

THE first point to be made about the speech by Mr John Major yesterday is that it could never have been delivered by his predecessor, Mrs Margaret Thatcher. This was Mr Major's first speech abroad since he became prime minister. He went to Bonn to give it – not Washington. He sounded very happy to be there. "My aims for Britain in the (European) Community," he said, "can be simply stated. I want us to be where we belong. At the very heart of Europe."

There was also an emphasis on his relative youth. "Let me begin with a confession. My age. I am 47. So I am of the generation that grew up in the aftermath of the Second World War." In other words, his experience is of the new, peaceful Germany, not the old troublemaker. Europe, to Mr Major, is a source of stability, not of conflict.

There was a stress on political parties, too. The prime minister's speech was delivered to the Konrad Adenauer Foundation, a think-tank and proselytiser of the German Christian Democrats. Mr Major noted, as has Mr Chris Patten, the Tory party chairman, in a recent interview, that British Conservatives of his generation tend to know their Christian Democratic colleagues rather well. In many ways, they admire what they see: a pragmatic, conservative party that believes in the social market economy.

That last point may be one of the most important of all. Mr Major said that he would like to see the relationship between Christian Democrats and British Conservatives in the European Parliament further developed. His words will be welcomed by British Tories in Strasbourg.

Isolated group

Too often they have seemed an isolated group, lacking adequate links to the parliament in Westminster and without a wider base on the Continent. Although they would not agree on everything – the German Christian Democrats form at least as broad a church as British Conservatives – such a grouping would make a great deal of sense.

Mr Major's speech was also aimed at a domestic audience. There is nothing fundamentally new in embracing the social market economy. Lord Joseph did it at the beginning of the Thatcher ascendancy. What the early British advocates tended to omit, however, was the emphasis on the safety net. The social market economy, as seen by its initial exponents such as Ludwig Erhard, is not just the market economy. It means provision for those who cannot easily cope with market forces. Mr Major picked that up in his tribute to the late Iain Macleod, who has emerged as his political mentor.

The fundamental message, however, was European. Here is a British prime minister who no longer looks at the European Community with suspicion, who does not regard a trip to the Continent as a sally into battle and who sees Britain as a full member without a grudge. That is a bold position, given the continuing doubts about Europe in sections of the Tory party and the salvoes still being fired by Mrs Thatcher.

Diplomatic language

The prime minister gave little away on policy or detail. Plainly he is still reluctant to accept full European monetary union on the Delors scale. Yet he senses that the Germans have their own reasons for avoiding undue haste, and the language has become diplomatic, not hostile. "We cannot accept the imposition of a single currency," he said, "but we are confident that the Inter-Governmental Conference will be able to work out arrangements which protect the right of a future British Parliament to make a decision later."

Mr Major finally and rightly stressed the importance of the Community's relationship with North America: "As we look at the wider world, the pivotal role of the US is clear." Mrs Thatcher could have said that, too.

The difference is that he is not presenting the development of the Community and the maintenance of the transatlantic relationship as an either-or choice. He wants both, and both can be had. He should now make a similar speech about his views on Europe in Paris.

A union offer to be refused

PROPOSALS this week by Britain's Trades Union Congress are intended to put the clock back. Frustrated by their failure to resist falling membership in the last decade, the unions want a future Labour government to rewrite the law, requiring companies to consult and recognise unions.

Unfortunately, Labour shows signs of responding. Despite the Labour leadership's understanding that the party can only gain office if it is independent of unions, Labour has promised some kind of statutory recognition. If the TUC proposals are a reliable guide to what this would entail, they throw considerable doubt on the changes achieved under Mr Kinnock's leadership.

Labour has offered the unions two sweeteners for sticking to the Thatcher government's reformed industrial relations law. First, it says that employees who belong to unions should have a right to be represented by their union in grievance procedures. Second, it says there should be a right to recognition, enforced by a new industrial court. The TUC envisages the right being triggered when 40 or 50 per cent of a company's workers join a union, although it thinks derecognition should not be possible when membership falls below these levels.

The first proposal is reasonable, reinforcing the position of individual workers, whose legal rights are too easily abused. Those many good employers which, quite understandably, prefer to talk to their employees directly and without any union presence will still be able to seek to achieve this. But where an individual feels vulnerable, a helping hand would be available. Such a right to representation is already available to an employee at an industrial tribunal, so we are not talking about a brand new principle.

Flawed proposal

Statutory recognition of unions, however, is a proposal flawed in principle and in practice, although it is hardly surprising that the TUC should be enthusiastic. Its own efforts at co-ordinated recruitment drives in Trafford Park, Manchester, and London Docklands last year largely failed. Unions trying to recruit in the growing service sector during the 1980s found it to be an unsound investment. An employer determined to resist recognition could deny a union the ability to offer its most valuable service – collective bargaining. Meanwhile, high staff turnover meant that union membership then tended to fall away.

The TUC also covets a new role for itself in its proposed statutory regime. It wants a say in deciding which union deserves to be recognised if more than one is competing inside a company. That would give the TUC a crucial lever against renegade unions wishing to leave its embrace, as the electricians' union has done. Competition between unions has been one of the more constructive influences in British trades unionism in recent years.

Long-term decline

It is not even clear that the unions would gain as much from the changes proposed as they hope. Enforcement of recognition in the United States by the National Labour Relations Board has not prevented the long-term decline of the AFL-CIO union federation. And the last British statutory recognition experiment under the 1975 Employment Act gained the unions only 65,000 members before it was repealed in 1980. Some of the most strongly unionised economies in Europe do not have statutory recognition rights.

The point, which Congress House appears not yet fully to understand, is that trade unions acquire their persuasive power to individuals and to societies by their record. Likewise, collective bargaining requires a degree of good faith on both sides which no court can enforce.

Britain's trade unions may never recover the growth in membership they covet. But if they are to do so, it can only be as a result of convincing the public that they will not revert either to the damaging excesses of the 1960s and 1970s or indeed to the damaging influence they often had on the Labour party in that period. Mr Kinnock is being asked to give the unions a battering ram. He should refuse.

With sterling formally tied to the D-Mark Britain faces a milder form of the pressures borne by east Germany, writes **David Marsh**

In the shadow of the powerhouse

"The one point in which Germany is overwhelmingly superior to England is in schools... The dense ignorance so common among workmen in England is unknown." – UK Royal Commission on Technical Instruction, 1884.

For the British economy, competing with Germany has been a challenge stretching back over a century, interrupted but not broken by two world wars. Starting with Britain's counter-productive attempt in 1887 to discriminate against German exports, the story has been one of almost continual British decline against the Continent's industrial powerhouse.

Between 1880 and the end of the 1980s, Britain's share of world export markets for manufactured goods fell from 38 per cent to 8 per cent, while Germany's was roughly unchanged at about 15 per cent. In 1950, gross national product per head in war-ruined West Germany was about 30 per cent lower than in Britain, but by the end of the 1980s, it was roughly 20 per cent higher.

On this long, bumpy road, the UK's decision last October to harness sterling to the D-Mark through full entry into the European Monetary System (EMS) is a turning point. In September, two months before he became prime minister, Mr John Major described the exchange rate mechanism (ERM) as "a modern-day gold standard with the D-Mark as the anchor". Last night in Bonn, Mr Major paid fulsome tribute to the German system mixing "social solidarity with market discipline".

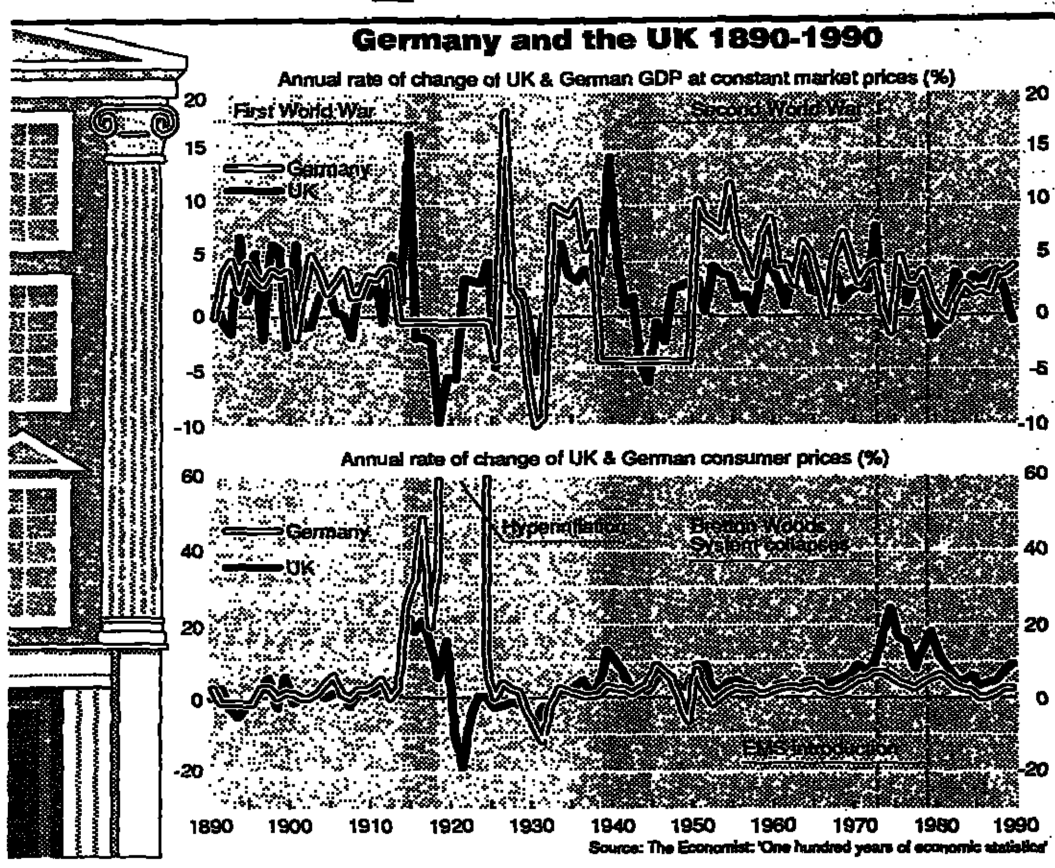
Membership of the ERM requires Britain to match German standards not only in managing interest rates and reducing inflation. In other areas, ranging from education, technology support and management-trade union co-operation to shareholders' long-term relationships with companies, Germany's post-war performance has been generally far superior to Britain's. The UK is now under greater pressure than ever before to adopt these German-style precepts for the organisation of industrial society.

Britain has always realised that the adjustment was likely to be painful. In December 1978, on the eve of the establishment of the EMS, Mr James Callaghan, then prime minister, decided against full British membership on the grounds that this "would place obligations on us that might result in unnecessary deflation and unemployment".

The challenge for Britain has, however, been made more acute by the timing of the EMS move. Britain is being exposed to the full impact of Germanic anti-inflation discipline at a time of sizeable economic imbalance between the two countries. The UK is now in a severe recession, while – partly because of German unity sealed on October 3 – west Germany has been experiencing the most pronounced boom since the mid-1970s. Interest rate pressures in the two countries are pulling in opposite directions.

Moreover, the issues involved have been immeasurably complicated by the precipitous economic decline east of the Elbe, caused by brutal adjustment to market economics in what used to be East Germany. Britain has hitched itself to the successful post-war German "economic model" just when the model itself is undergoing a transition of convulsive proportions. But that does not mean that the adjustment required will necessarily be any less far-reaching.

Assessing the competitive challenge Germany poses for Britain is no straightforward matter. Indeed, the move to accept D-Mark discipline comes after a decade in which the UK economy has in some important respects outperformed West Germany. For one thing, it had slightly higher economic growth. Germany may have been expanding considerably faster than Britain in the last two years, but as a result of the 1983-88 economic upswing under Mrs Margaret Thatcher, average annual UK GNP growth between 1980 and 1990 was higher than West Germany's – 2.2 per cent against 2.1 per cent.



Source: The Economist: 'One hundred years of economic statistics'

Labour productivity growth in the business sector is higher in the UK, at an annual average between 1979 and 1988 of 2.1 per cent against 1.7 per cent in Germany. This reversed the comparative performances of 1973-79, when average UK productivity growth of 1.6 per cent was only half the German average of 3.1 per cent.

The UK has also been much more active than the Federal Republic in implementing financial and industrial deregulation. According to the European Commission, subsidies to German manufacturing industry rose between 1981 and 1988 to stand at the second highest level in the EC after Italy. In that year, in European currency unit terms, subsidies to German industry were more than twice the level in Britain.

Some would argue that British industry is suffering from the consequences of financial deregulation and of the government's non-interventionist stance. The share of manufacturing in gross domestic product fell in the UK to 22 per cent in 1989 from 26.8 per cent in 1980, while the contribution of financial, insurance and real estate services rose to 26 per cent from 18 per cent. In Germany, the manufacturing share fell much less steeply from 35 per cent to 34 per cent, while that of financial services rose only to 13 per cent from 11 per cent.

According to Mr Nick Crafts, professor of economic history at Warwick University, much of the 1980s improvement in British productivity was "a once-and-for-all shake-out of labour" rather than a move to permanently higher productivity levels. Mr Crafts says: "In the 1990s it is quite possible that west German productivity growth will exceed that in Britain as the long-run strength of German skills and technology reasserts itself."

But the nub of any comparison between the two economies must be their rates of inflation. It is in control of inflation that Germany has excelled; and it is control of inflation that remains Britain's central difficulty.

Entry to the ERM represents a fresh phase in Britain's anti-inflationary struggle – one in which the main weapon is German, not British, policy. It is a discipline that a large number of British policy-makers have long sought, and which many senior officials regret not having been able to adopt sooner – in 1985, say, when the UK Treasury was well advanced in negotiations with Germany to join the ERM, only to see the decision thwarted at the last minute by Mrs Thatcher. A senior Bank of England official now says scathingly that the chance of bringing down British inflation permanently to German standards was "squandered by the wrong monetary policies and hubris".

But joining the ERM is only the beginning. Mr Hans Tietmeyer, the Bundesbank's director in charge of international affairs, says: "I believe that Britain is aware of the implications of ERM entry." But he adds that reducing Britain's annual wage rises – still running at about 9 per cent, double the rate in Germany – is "the most difficult question".

According to Mr Alan Budd, economic adviser to Barclays Bank, joining the ERM "takes away the British government's choice about how fast inflation comes down. The only question is whether labour costs come down at the same speed as prices. Otherwise, there will be a lot of unemployment."

Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements in Basle and a leading authority on monetary affairs, believes that Britain is more or less at the same stage France was at in 1983, when the Paris government radically changed policies to follow anti-inflation discipline within the EMS.

"To tie yourself into a group of countries where there has been remarkable success in bringing inflation under control, you have to change your way of life," he says. "Leaders in industry and trade unions have to take a totally different attitude towards their bargaining and pricing policies."

Mr Lamfalussy adds: "I am afraid it will take time. In France, it took four or five years before you could see social acceptance for this. It does not happen overnight."

It will also take time for the British government to establish credibility concerning its will to see through the consequences of ERM entry. Mr Crafts of Warwick University points out that, in comparison with countries like France and Italy which have maintained EMS discipline for most of the last decade, Britain suffers from a "credibility gap" over whether it will maintain the present sterling level against the D-Mark, or at some stage seek a devaluation. Coupled with Britain's decision to tie itself to the D-Mark during a recession, this adds up to a "double disadvantage," says Mr Crafts. "We are starting from a long way back."

The general nature of the challenge, then, is starkly clear. There is, however, one important factor that makes it much more difficult to predict the precise effects the D-Mark link will have: the transformation under way in Germany itself.

The unprecedented effort of integrating East Germany's bankrupt communist system into a new capitalist world is inevitably changing the Federal Republic's political and economic make-up. Germany has become poorer, and more polarised.

Because GNP per head in east Germany is, at most, only 40 per cent of that in the west, unification has driven Germany well down the league table of EC member states' prosperity. The growing cost of public sector transfers to the east, together with payments for the Gulf war, the Soviet Union and eastern Europe, has forced the Bonn government to bring in a package of drastic increases in tax and social security contributions this summer which will deduct roughly DM50bn (£16.8bn or 2 per cent of GNP) from German purchasing power over a full year.

While manufacturing workers in west Germany earn on average 20 per cent more than in Britain – and work about 15 per cent fewer hours per year – their compatriots in the east earn 60 per cent less. A post-reunification tide of factory closures is running through east Germany and many towns say they are on the brink of bankruptcy.

With unemployment in east Germany possibly heading from 800,000 now towards 3m later this year – one-third of the workforce – frustration over the consequences of unification could spell serious social tension. In the short term, the west German consensual system linking trade unions, management and banks has little chance of taking hold in the east.

It could be that this transformation – closing the gap between German and British inflation and in January sending Germany into current account deficit for the first time in years – will make things somewhat easier for Britain within the ERM than they might otherwise have been.

Equally, however, the severe pain being experienced in east Germany could serve as a warning. Replacing the East German mark with the D-Mark subjected most east German industries to the requirement either to bring their costs and productivity in line with west German ones, or to go out of business. Now that the sterling-D-Mark link has been forged, the pressures on Britain in some ways amount to a milder form of those borne by east Germany.

This article is the first of a series on the competitive challenge for Britain now sterling is hitched to the D-Mark.

OBSERVER

Non-standard alternative

■ Battered US banking giant Citicorp has found a wealthy Saudi prince, and Midland Bank a new chairman and chief executive. Where is Standard Chartered, number two on the UK problem-bank list, to find salvation?

It has long looked the odd man out in British banking – the last big overseas bank without a strong domestic base. The proposed 1981 merger with Royal Bank of Scotland was the Bank of England's preferred solution, but was scuppered by the unexpected intervention of the HongKong Bank. Then Lloyds bid, but luckily failed.

Now speculation about Standard's future is rife again. So will it struggle along independently, or seek a merger? There might be more sense in a non-establishment solution: let the group rediscover its South African connections.

While there are all sorts of reasons why it won't happen, one never knows. South Africa's banks need to re-establish international links, Standard is still a power in black Africa, and its former South African subsidiary is the best managed and best capitalised in that land.

Springbok entrepreneur Donny Gordon – whose Liberty Life is the biggest shareholder in Standard Bank Investment Corporation – once suggested merging Standard Chartered with Sun Life, the UK life insurer in which his TransAtlantic Holdings holds 30 per cent. Such insurance/banking ties are no longer rare, and Lloyds Bank/Abbey Life has worked OK.

It's a thought, anyway.

Money talks

■ Why did Taylor Woodrow, one of the UK's premier construction companies, cut its contribution to the UK Conservative party to only £24,000 in 1990 from £150,000 the year before?

Asked face-to-face at yesterday's annual press conference, chairman Peter Drew was reluctant to say if the reason was dissatisfaction with high interest-rate policies. "I have given you some fairly good news," he protested at one point, "and all you want to talk about is fund-raising for the Tory party." The good news he wanted to impart was that Taylor Woodrow's first profits fall for 30 years could have been a lot worse.

But would there be more money for the Conservatives this time round? The answer was that John Major is an "extremely capable person", not "an invalid to be helped along the street." Later Drew's office issued a statement. "Last year's contribution is history and reflects our view last year of the UK economy and the way the government was then handling it," it declared.

"It is too early to forecast the level of our political contribution in 1991. However we are pleased that our views on the economy are being taken on board and that Mr Major is performing so well as Prime Minister."

Maybe Drew has not ruined his chance of the customary knighthood after all.

Media Scot

■ "There are no easy businesses to make money in," says Scottish entrepreneur David Murray. Even so, he might seem to be making things even harder by launching his new tabloid paper, the Sunday Scot, at the bottom of a recession.

Part of his reason is that the downturn isn't biting very hard in Scotland and is forecast to be shorter and shallower there than across the UK as a whole. The other part is that Murray is not easily deterred.

"This is the queue to jump out of the window."

At 39, he is said to be Scotland's richest self-made millionaire. The company he created, Murray International, made profits of £9m in 1989 on sales of £113m from steel stockholding, property, electronics, office equipment and leisure.

It also controls the privately owned Glasgow Rangers football club whose management Murray is widely thought to have transformed since he took it over in 1988. But can Murray work the same sort of magic in the media business? When it comes to new newspaper launches, there is a long casualty list.

The Sunday Scot is a challenge to the two other tabloids north of the Border, D.C. Thomson's Sunday Post, and Mirror Group's Sunday Mail (not to be confused with the Mail on Sunday).

Murray says the first issue, backed by an initial budget of £2m, sold about 400,000 out of a print run of 580,000. "There's a lot to be improved but we're pleased to have brought it out in only six months. If it's a success we'll look at a daily paper in 12 months," he adds.

Advertising agencies in Scotland are evidently less optimistic. "It has an unclear personality, looks a little derivative and the colour is poorer than I'd expected from the dummy," said Christine Tulloch of Faulds Advertising.

Call my bluff

■ The race for new ITV franchises is beginning to hot up with some at least of the contenders feeling it is necessary to reveal their hands in advance. Is this a show of strength, or weakness?

TeleWest, which boasts "lifelong west country roots", yesterday popped up as the first new challenger for the franchise currently operated by Plymouth-based TSW. Was this disclosure just a public service broadcast, or supposed to frighten off potential rival bidders?

TeleWest's decision to reveal its target is unusual. Most declared bidders such as MAI and Virgin are refusing to say which franchise they're going for. An exception is the Granada-Border plan to bid for their fellow ITV company Tyne Tees Television. But the most interesting bids of all are likely to be delivered in total silence to the office of the Independent Television Commission just before the barrier falls on May 15.

The franchise bidding game has to be seen as a giant game of bluff, and the weaker players are beginning to reveal their hands.

Number up

■ Short of a surprise gift for the Yuppie in your life? A recent advert in the *Weekend FT* provides the answer: the car registration G1 LTS is up for sale, yours for a mere £30,000.

Now, if only the Porsche hadn't been taken back because of the recession . . .

Rising unemployment and strict monetary policies are creating a sombre backdrop for constitutional advance in South Africa. **Patti Waldmeir** reports

The economics of ending apartheid

"Unless we can get growth going now, by the mid-1990s it will be virtually impossible for *any* government to govern this country because of the number of unemployed."

It was this apocalyptic vision of a South Africa rendered ungovernable by economic decline – outlined here by Mr Barend du Plessis, the finance minister – which loomed in the minds of South Africa's leaders, and finally persuaded them that apartheid had to go.

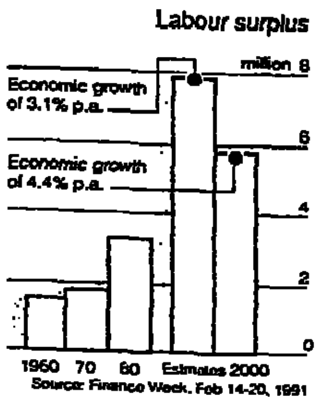
Now apartheid – with its legacy of racial barriers to economic growth and international financial isolation – is on the way out. But growth remains a distant prospect. Unemployment continues to rise, and the appalling dimensions of black South Africa's poverty have not been reduced. Through it all, economic policy-makers persist with the tightest fiscal and monetary policies pursued for many years; they bridle at any suggestion that they should relax them for political reasons.

All this adds up to the worst possible economic background for negotiations on a post-apartheid constitution. While South Africa waits for constitutional talks to begin, young blacks in the townships listen to the ultra-radical rhetoric of those who oppose negotiation. The government's efforts to sell the notion of caring capitalism to blacks – channelling more social spending through the budget and providing two extra-budgetary development funds totalling R3bn (£600m) – have had little impact.

"Business is just legalised theft," one youngster told me in Soweto recently. He is far from alone in believing that capitalism is the cause of black South Africa's deprivation. And with the economy in recession, now is the worst possible time to demonstrate capitalism's virtues.

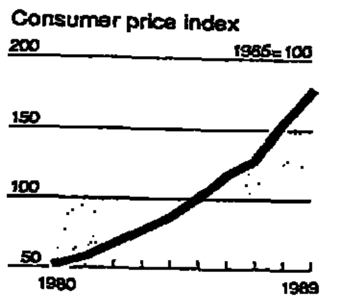
According to government figures, the economy contracted by 1 per cent in real terms last year, and zero real growth is expected for 1991. Meanwhile, the non-white labour force continues to grow by 3 per cent a year, swelling the jobless totals by thousands every week.

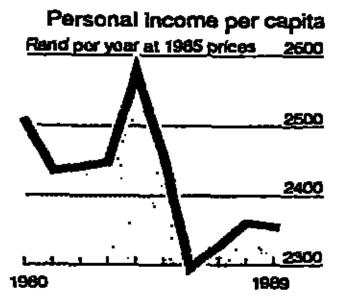
Economists caution that figures for registered unemployed seriously understate the real problem. But according to Professor Jan Lombard, senior deputy governor of the South African Reserve Bank (central bank), only 8m out of the 12m-strong workforce are formally employed. "About 4m are without formal job opportunities and have to eke out a living in one way or another, probably in ways which do not produce much income or hope of growth," he says, and forecasts that this figure will rise to 6m by 2000.



Source: Finance Week, Feb 14-20, 1991


Dr Chris Stals





Source: Dr Charles Simkins, Urban Foundation & S.A. Reserve Bank

In the 1980s, many work-seekers entered the informal sector, which includes activities such as hawking and transport. According to a survey carried out in October 1989 by the government's Central Statistical Services, some 740,000 non-whites were engaged full-time in the informal sector, and nearly 2m more part-time. The survey estimated that the sector contributed R16bn, 8 per cent, to gross domestic product in 1989.

But the informal sector alone cannot solve South Africa's employment problems, and government is under increasing pressure to abandon the current structural adjustment programme of fiscal discipline and reflate to create jobs.

Economists applaud the government's recent success in generating large current account surpluses – last year's surplus was R5.8bn, nearly double the 1989 figure – and in persuading creditors to roll over or renew more than 50 per cent of the £6bn in foreign debt repayments which were to have fallen due in 1990. Money supply growth has been brought under control: M3 money supply (cash in circulation and all bank deposits) increased by 13.1 per cent in 1990, compared with a 27.5 per cent rise in the 12 months to August 1988. So government is working hard to create the necessary conditions for sustainable growth; but many economists and politicians are worried about the short term.

"Government policy is still aimed at improving macroeconomic stability, getting inflation down from the 14 to 15 per cent level and maintaining a balance of payments surplus," says Mr Dave Mohr, chief economist at the Old Mutual, South Africa's largest insurer. "But isn't there something to be said for creating a few extra jobs in the short term? Otherwise you may end up with a more radical [post-apartheid] government than necessary".

"Do we have to be chaste all at once?," asks Mr Derek Keys, chairman of Gencor, one of the country's largest mining houses.

Government economic policy-makers do not hesitate in answering "yes" to that question. The reserve bank last week cut the bank rate – the key discount rate – by 1 percentage point to 17 per cent. But Mr Chris Stals, the Reserve Bank governor, cautions against expectations that monetary policy will be relaxed prematurely. "If it does not hurt, it does not work," he said recently, acknowledging a debt to a certain former UK chancellor for the phrase.

Mr Barend du Plessis, the finance minister, adds: "There is no way we can begin to reflate this economy for political, social or any other reasons. Otherwise we're very vulnerable to hyper-inflation." Inflation, which touched 15.7 per cent in June 1989, fell to 13.3 per cent in July 1990; but since then, oil prices have taken their toll, and January's inflation figure remained high, at 14.3 per cent.

At the moment, the technocrats and politicians are still battling over whether to heed the public clamour for redistribution of wealth – and opt for a populist budget for 1991-92, to be presented on March 20 – or follow structural adjustment through to the point where it yields benefits.

It looks likely that fiscal restraint will win. Technocrats in the Department of Finance insist that if, indeed, there is any increase in government spending budgeted for 1991-92, it will be only "very modest".

According to Mr Gerhard Croeser, director-general of finance: "It takes time to turn around the finances of the state to social spending. Expenditure patterns can only change incrementally. But the people want houses immediately, they want pensions equality immediately". He points out that providing the same standard of education to all South Africans would involve a three-and-a-half-fold increase, with education spending already high at 18.7 per cent of the budget; equalising pensions could cost up to R3bn. Mr Croeser argues for more direct support to the poor. The government is considering establishing a safety net for the very poor, involving support of perhaps R500m-R600m, partly to compensate for taxing foodstuffs if value added tax is introduced as expected later this year.

Every effort will be made to shift more funds to social spending from other areas of the budget, such as defence. But so far little of the R3bn set aside last year for the elimination of "social backlogs" has yet been spent; that money will begin to have an effect from about mid-year, with the so-called Independent Development Trust due to spend R600m to help poor blacks acquire land for housing, and R750m earmarked for black education.

Mr du Plessis says he believes the economy is now "poised for the resumption of a growth phase". But he foresees zero growth for this year, and while private economists believe the economy could grow by between 2.5 per cent and 3 per cent in 1992, it will be from a very low base.

According to Mr Stals: "A strong economic recovery will

'The people want houses immediately, they want equality in pensions immediately'

probably only follow after some consensus has been reached on what the new political dispensation for the future South Africa will look like."

Indeed, a recent model prepared by the International Monetary Fund predicts that with renewed access to foreign investment and lending, and with business confidence restored, South Africa could expand rapidly enough to create enough jobs to satisfy growth in the labour force; it could also speed up the process of reducing income disparities.

But for the moment, this seems a distant hope. Per capita incomes continue to decline: according to Charles Simkins, a researcher with the Urban Foundation, a business-funded think-tank, real income per capita fell by more than 6 per cent in the 1980s, leaving 47 per cent of the population living below the poverty line (R695 a month). And the problem of urban joblessness – with the attendant threat of political radicalisation – continues to grow.

Joe Rogaly

Who Mr Nice is not

Mr John Major's task is sparklingly clear. As the next election approaches, he has to run against Mrs Margaret Thatcher. Well, perhaps it is not quite so clear as that. Let me put it another way. The new prime minister has to be seen by the country to be running against his predecessor, while appearing to her supporters within the party to be keeping the flame of the 1980s alive. President George Bush discovered something similar after he succeeded Mr Ronald Reagan.

However you pattern it, plain or purl, the outcome is the same. The more he is not her the better it is for him. The recent extraordinary rise in the position of the Conservatives in the opinion polls began when Mrs Thatcher was on her way out. Tory popularity soared when she left office. Two explanations suggest themselves. First, the former prime minister had become a liability. Not having her at the helm has done the party good. Second, the freshness of Mr Major gave people the impression that there had been a change of government, without the inconvenience of a general election.

This has not been universally welcomed. Mr Jeffrey Archer, who justifies his existence partly by writing novels and partly by touring the constituencies to raise funds, can still get a meeting of party workers to its feet by starting with a stirring proclamation of his steadfast allegiance to Mrs Thatcher. His next line, which is that he has always been a good friend of Mr Major's and endorses him wholeheartedly, is receiving increasing support, but not yet on the scale of his introductory remarks.

It is therefore likely that the new Thatcherite pressure group, Conservative Way Forward, will get a good response from the party workers it hopes to enlist after it is launched later this week. Among its leading lights you may expect to find Lord Joseph, Mr Cecil Parkinson (chairman), Mr Norman Tebbit, Sir George Gardiner and others of that ilk. They are united by a common bond of admiration for their heroine and a nagging fear that her principles, or some of them, may be compromised if they do not stand guard. The CWF promises to "mobilise support in the Conservative party for the ideas and values of Margaret Thatcher"; it naturally endorses Mr Major, although specifically as one who will carry the revered lady's vision into the future.

If he does that he will not have much of a future. A John Major who came across as nothing but a kindly-voiced version of the former prime minister would boost the fortunes of both the Labour party and the Liberal Democrats. Both opposition parties have been embarrassed during the past few months by the absence of a focus for their campaigns against the Tories; if they could demonstrate that inside Mr Nice there lurks Mrs Nasty they might defeat the Tories after all.

Mr Major is aware of this. I have a mental picture of him being fed jelly by his wife Norma on the day before the fateful second ballot that toppled Mrs Thatcher. He is recovering from an operation on a wisdom tooth and Mrs Major exclaims, "I cannot believe

'No, no, no' to Europe has become 'yes, but if I may say so'

that you could be prime minister this time next week." The not-yet candidate says, "why do you only feed me jelly when I am ill, Norma. Why not when I am well?" The public has taken to Mr Major precisely because he appears to be the kind of man who would eat jelly even when he is well; it would not welcome the return of a prime minister whose party piece was to spit tacks.

This does not mean that everything done since 1979 must be undone. It is true that the community charge must be abandoned. Even diehard admirers of the former prime minister know in their hearts that the Tories might lose if he tries to retain it. Apart from its many other well-known defects, the poll tax is generally seen to be unfair. It is the old ideology at its most hard-nosed. Mr Major cannot run against Mrs Thatcher and keep it. It would be self-defeating.

But much else may stay. Privatisation will continue, and rightly so. There is no wavering at the department of industry. The remaining council house tenants may be given cheaper deals to convert them into owners; why not? The health service reforms, many of them common-sense management practices, will be introduced rather more gradually, but that is to the good. The attempt to remove local authority control over schools by encouraging them to opt out will be accelerated, but that, while perhaps unwise, may be popular. What is different under Mr Major is the motivation. There is no half-hidden desire to privatise health and education by stealth, no scarcely-disguised contempt for those who use taxpayer-financed services, but instead a promise to so improve public provision that it becomes a fair substitute for private arrangements.

Europe is another matter. As to the development of the European Community, the simple move from "no, no, no" to "yes, but if I may say so" has made all the difference to style. The angst-ridden Old Right may find that in substance the outcome is not so bad as it fears: there will be no federation, no loss of sovereignty, no Franco-German hegemony. Beyond that, Mr Major has begun to make his mark as a modern politician who is unafraid of foreigners.

Last night he openly abandoned the xenophobia inherent in Mrs Thatcher's weekend warnings about prospective German dominance. His address to the Konrad Adenauer Foundation in Bonn was the first speech he has made as prime minister outside his own country. It was full of warmth for Europe in general and Germany in particular. He held out open arms to the Christian Democrats, fulfilling a prophecy made by Mr Chris Patten in Marxism Today. The social side of the social market economy was given its due weight. The European-ness of the present British government was heavily emphasised. "I am of the generation that grew up in the aftermath of the Second World War," he said, leaving "and she was of the previous generation" unsaid but nonetheless loudly heard. Running against her? He is sprinting down the straight.

LETTERS

Tour operator should have had longer

From Mr Robert Smart.

Sir, As the administrators of the International Leisure Group and its subsidiaries started their work in earnest on Saturday morning, a substantial part of the aggregate value of this group, which I left last year, had already evaporated.

It is tragic for all parties (customers, suppliers, bankers, shareholders and employees – but not competitors) that the tour operating bond has already been called (by the Tour Operating Study Group – predominantly consisting of competitors) and confidence lost in this highly-successful tour operation, which has for 18 years been instrumental in providing economically-priced holidays to the UK public, and which I reliably understand was expected to make a substantial profit this year.

While the administrators carefully prepare themselves to deal with the remaining bones, this business will already have been scavenged by existing competitors and new opportunists (the "sons of Harry").

The highly-seasonal nature of tour operating demands short-term winter debt facilities, and these will have been higher this year as a result of the delay in summer bookings created by the Gulf crisis. Holiday bookings since the end of the war have been at record levels, and positive cash flow would soon result.

In these circumstances, the composite system which allows for the calling of the bond of a viable business without adequate consideration of reconstruction possibilities is indefensible and, in fact, shoots most of the banks in their own feet.

The airline business is different; the urgency not so extreme; and in the US, for instance, significant periods of protection have been granted in which airlines have had the opportunity to reconstruct and successfully restart operations, in spite of being carried out fully in the public glare.

It will, of course, be a little difficult to administer a decaying target, as "I'm all right, Jack" fair-weather aircraft-financiers repossess certain aircraft. The administrator should take little satisfaction from the number of approaches he has apparently received to buy Air Europe.

Clearly, the name has value, but the Air Europe he will sell will be a pale shadow of the highly-successful Air Europe that was operating until last week. The approaches will no doubt represent bargain-basement offers from generally inferior competitors (themselves now saved in the short term from the same fate).

Air Europe may, in time, reappear in an adequately capitalised form to offer its low-cost, high-quality product to European travellers, challenging the current poor deal offered by the "dinosaur flag-carriers". In so doing, it would have been immeasurably helped by the continued support of its in-house tour operating passenger base, which has now been dissipated through lack of adequate consideration.

Robert Smart,
former director,
International Leisure Group,
The Manor House,
Pendell Road,
Bletchingley, Surrey

Current capital allowance scales are a handicap

From Lord Vinson of Roddam Dene.

Sir, Your leader ("Labour's case for industry", February 26) and the House of Lords select committee report just out reinforces my belief that it is time the government took another look at capital allowances.

The rate at which an industrial nation replaces its capital equipment is a crucial factor in its international competitiveness; and as in practice tax allowances dictate our national depreciation policy, there is insufficient debate as to what these should be. The argument is not about capital allowances as such but about a rate of cost recovery that reflects technological as well as mechanical obsolescence.

While Mr Nigel Lawson's lowering of corporation tax was highly desirable, there were losers as well as gainers when he moved industry from free depreciation to the present scales.

There was, of course, never anything free about accelerated amortisation and over a given number of years the effect should be tax neutral. The rates of tax allowance merely dictate who gets the best cash flow – the company or the Inland Revenue.

Mr Lawson argued that the system encouraged companies to make frivolous investments to avoid tax. But not only has the change from fast to slow amortisation affected the cash resources of expanding capital-intensive business, but present rates do not allow for replacement costs in today's pounds. Much of British industry is seriously under-depreciating and profit levels are consequently considerably overstated.

The report of the House of Lords committee on innovation reinforces this concern. What particularly impressed a number of us was that the real cost of capital in the UK has been consistently higher than that of our biggest trading competitors. Innovative ideas in the UK have to jump a financial competitive hurdle substantially higher than our competitors.

The cost of investment in productive capacity, the point at which research turns into products, the forefront of wealth creation, can only be recovered over many years. Taxing such activity amounts to handicapping our best wealth-creating horses.

In today's climate, companies are hardly likely to shelter tax in non-productive assets; but to meet this Inland Revenue concern the select committee recommended that companies should be allowed to depreciate plant and machinery at any rate they chose for tax purposes but it must be the same rate as used in their published accounts.

Such a condition would prevent companies effectively having two sets of accounts – one to take tax advantage and another to show the maximum return – and would act as a discipline against fast amortisation, unless the company thought that it was fully justified, knowing the effect it would have on the bottom line.

Allowing companies to pay for plant and equipment in the year of purchase with their own tax-free self-generated funds would bring us more into line with other countries and would help investment by reducing the UK's uniquely high finance hurdle.

Vinson,
House of Lords

US evidence on employees' shareholdings

From Mr Malcolm Hurlston.

Sir, There is substantial research from the US on how employee shareholding has a strong impact on "the us and them" syndrome, which puts into context the research among 255 employees of a shy privatised utility carried out by two sociologists ("It is still 'us and them'", March 7).

American research over a number of years demonstrates that when sums from financial participation are significant and when the company effectively communicates to employees and treats them as shareholders, the magic works.

Research by The National Centre for Employee Ownership among a large sample of companies with Employee Share Ownership Plans (Esops) in the US, shows that compared to their competitors, Esop companies grew 3.5 to 3.8 percentage points per year faster after they had set up their plans. Over a 10-year period, these figures would represent a 46 per cent increase in jobs at Esop companies, and a 40 per cent increase in sales.

We can expect the impact of employee ownership in the UK to show through gradually but over time it will be clear.

Malcolm Hurlston,
chairman,
The ESOP Centre,
2 Ridgmount Street, WC1

UBS P&D's Polly Peck call

From Mr Peter Jorgensen.

Sir, With regard to the story, "UBS P&D hit by £14m loss on Polly Peck stock" (March 4), the writer of a call option is obliged to sell the underlying shares, not buy them. The holder of a call has the right to buy the shares.

The writer of a put option, on the other hand, is obliged to buy the underlying shares if the option-holder exercises the right to sell them.

If the share price of Polly Peck had fallen to a level below £2, the strike price of the put, the holder of the put would have exercised his right to sell to UBS P&D the Polly Peck shares at £2.

Peter Jorgensen,
managing director,
OM London,
107 Cannon Street, EC4

FINANCIAL TIMES
Tuesday March 12 1991

Serbia plans to introduce state of emergency

By Laura Silber in Belgrade

SERBIA'S ruling Communists yesterday drew up legislation aimed at introducing a state of emergency after thousands of anti-communist demonstrators again took to the streets of Belgrade, the capital.

Students and intellectuals, who are now spearheading a campaign to introduce democracy into one of eastern Europe's last bastions of communist rule, stepped up their demands for access to the state-controlled media and the dismissal of the head of Belgrade television.

Tanjug, the Yugoslav news agency, said the legislative committee of Serbia's parliament had approved a constitutional amendment which would allow the republic's president the power to declare a state of emergency. Parliament is expected to vote on the amendment later this week.

Attempts to amend the constitution coincided with anti-government demonstrators blocking the centre of Belgrade – despite a heavy police presence – in an attempt to keep up the pressure on the ruling Communist party.

Yesterday's protest represented the strongest challenge yet to Mr Slobodan Milosevic, the president of Serbia, who was catapulted into power in 1987 on a wave of Serbian nationalism.

The demonstrators, who included noted actors and writers, appealed to the disciplined crowd to meet police, in the event of an assault, with passive resistance. They called Mr Milosevic "Saddam" and "Stalin".

Anti-government demonstrations have spread to other cities, including Novi Sad, the capital of Vojvodina in the north of the country and in Nis and Kragujevac, both in southern Serbia.

But despite the growing opposition, the ruling Socialist (former Communist) party of Serbia appears determined to retain the political initiative.

Mr Milosevic, who was speaking at an emergency session of the republic's parliament warned of "foreign attempts to turn Serbia into a vassal state".

He called for the "the joint resolution of Serbia's crisis". In language reminiscent of the former Communist regimes in eastern Europe, he warned that "the forces of an anti-Serbian coalition, including the foreign and internal enemies . . . wanted to destroy Serbia".

Earlier in the day, Mr Milosevic made one concession to the demonstrators by agreeing to talk with the students. But so far, their demands that Mr Radmilo Bogdanovic, Serbia's minister of the interior, and senior editors of Belgrade Television and Politika, the daily paper, be sacked, have not been met.

At the behest of the Serbian president, the interior minister sent in riot police to quash anti-communist demonstrations last Saturday. Two people were killed and scores injured after a wave of violence engulfed the city. The federal army sent in tanks to restore order.

Mr Vuk Draskovic, leader of the opposition Serbian Renewal party was still in detention after the police arrested him at the weekend. The Serbian authorities accused him of calling for the violent overthrow of the system.

Meanwhile, on the other side of the city, the Socialist party staged a rival rally to call for Serbian unity.

Thousands of workers were bused in from towns throughout Serbia, the largest of the six republics, to attend the rally in a park.

The pro-government speakers, who were addressing a crowd of 30,000, accused the anti-communist demonstrators of "destructive acts of vandalism", aimed at destroying Serbia's unity.

Anti-communists were also accused of working in league with the western republics of Slovenia and Croatia.

At one point, Mr Mihajlo Markovic, a supporter of Mr Milosevic, accused foreign powers of trying to colonise Serbia.

Communist party supporters join a government-organised demonstration in Belgrade yesterday

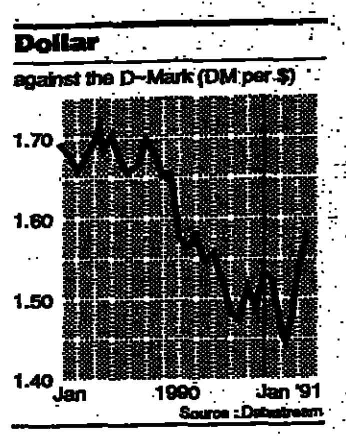
THE LEX COLUMN

Changed days for the dollar

The dollar, it seems, has officially turned. A month ago the central banks were piling in to support it. Yesterday they were trying to hold it down. The motive force for the dollar's rise is the same as that driving world equity markets: the conviction that the end of the Gulf war means the end of the US recession. The idea that the US interest rate cycle has bottomed may seem at odds with the stampede out of cash into equities. It is also plainly at odds with the action of the Federal Reserve last Friday in cutting 25 basis points off the Fed funds rate. But the foreign exchanges have believed in the dollar's fundamental cheapness for months. Now the Gulf crisis is out of the way, they are no more to be denied than the equity markets are.

While the dollar has risen against all the major currencies, an important component has been the view that the German economy has peaked, as reinforced last week by the perhaps predictable but still striking news of Germany moving into a balance of payments deficit in January. It is therefore assumed that German interest rates have peaked as well: hence the 9 per cent rise in the dollar/D-mark rate in the past month, after a 28 per cent fall in the previous 17 months.

But there is no real guarantee that the Bundesbank will not raise rates further, any more than there is of the Fed not cutting again. After all, the Bundesbank is quite capable of seeing the dollar's rise as a threat to monetary tightness in itself. It is difficult to avoid the feeling that the foreign exchange market is rushing its fences. But the mood of post-war bullishness is so pervasive that investors are no longer concerned with timing, only with getting in. The longer it continues, on the foreign exchanges as in equities, the more inevitable the reaction.



British Airways

It comes as no surprise to learn that British Airways is unhappy about UK aviation policy. What will be more worrying for the market is the fact that Lord King chose to issue a formal statement last night warning that recent decisions will "reduce materially" the company's future profitability. Given BA's relations with the government, an element of bluff cannot be ruled out. It would not do to count on it, given the prospect of American and United as formidable new competitors at Heathrow. It might be argued that BA's dominance of the domestic market will put it in a strong position when recovery comes. It is to be hoped that those investors who chased the shares higher in recent weeks were taking the long view.

Taylor Woodrow

Taylor Woodrow has always been a conservative company which likes to keep a fair bit up its sleeve for that proverbially rainy day. It is therefore a sign of the inclement times that the company should have failed to maintain its 30 year record of unbroken profits by a mile. The main reason for the 28 per cent fall in its full year pre-tax figure is UK housebuilding and the state of the property market, which reduced profits from property disposals from £47m in 1989 to £28m last year. Contracting margins have also come under pressure, though taking a £4m provision for the huge Danish bridge project at this stage smacks of that well known prudence. A 21 per cent drop in net asset value was also more than the market was expecting and reflects reductions of 25 and 30 per cent respectively in the UK office and industrial property portfolio.

Although there is room for a small improvement in contracting, it is hard to see the current year being any better overall. The company is wary of predicting a quick upturn in UK housebuilding and there will be no repeat in the foreseeable future of the exceptional £7.5m profit from buying in part of the debenture stock. There is also a question mark over how far the company can continue to capitalise interest payments. Net interest charged against profits last year was nearly halved to £10.3m. The decline in amount of property under development looks certain to reverse the trend by 1992 at the latest.

The main question for shareholders is about how much rosier the prospects are beyond the current year, and also whether the new management can freshen up a rather dull act. The shares have already had a good run on the back of exaggerated hopes for rebuilding Kuwait. At 272p they yield an historic 4.6 per cent, which puts them on a slightly surprising premium to the UK market as a whole.

BT

Since last week's government white paper on the UK telecoms industry, British Telecom shares have risen by 5½ per cent. Those of Cable and Wireless have fallen by almost as much. It is not quite clear that the market has drawn the right conclusions. BT appears to have won important concessions, particularly on price flexibility. But its short-term earnings outlook is largely unaffected. Indeed, along with the other main changes, pricing will only be properly resolved when competition to BT is better established. It may also have to wait until the government has sold its remaining stake and is no longer an interested party.

The real question has to do with future regulation. With Oftel no longer actively helping new entrants, one can only surmise that it intends to take a strict line with BT when the price formula comes up for negotiation next year. Such an approach would be consistent with its new philosophy of regulation. It will not distort the market, but will mimic competition to the dominant market force. Having welcomed the white paper, BT could scarcely run to the Monopolies and Mergers Commission objecting to the imposition of a tougher price formula.

The case has additional force because BT's profitability relative to wider UK industry is creeping upwards. Its return on capital employed is already fairly high at around 20 per cent. As interest rates fall and BT sheds more of its corporate fat, there remains a significant risk that Oftel will step in to curb its profits growth. There is also increasing evidence that the trade and industry secretary will force greater financial transparency on BT. In other words, although BT might appear to have won the battle, it could yet lose the war. The reverse is true for Mercury.

Soviet parliament backs down from move to censure Yeltsin

By Quentin Peel in Moscow

THE SOVIET parliament yesterday abandoned its attempt to condemn Mr Boris Yeltsin, the Russian leader and President Mikhail Gorbachev's greatest political rival, for fear that such a move would only increase his popularity.

This extraordinary demonstration of the impotence of Mr Gorbachev and his allies came less than a week before the first-ever Soviet referendum – on the fate of the union itself – which is becoming a direct confrontation between the ruling Communist party and its democratic rivals.

First, the Supreme Soviet passed a resolution ordering the 15 union republics to take "all necessary measures" to ensure that every Soviet citizen is able to vote in next Sunday's referendum. Six republics refused to organise the poll, and there is nothing Mr Gorbachev can do to compel them, short of using military force.

The national parliament was then called on to condemn Mr Yeltsin, who has urged democratic forces to unite in a "war" against the Communist party leadership. His supporters are campaigning for a no vote, or abstention, in the referendum, to demonstrate their opposition to Mr Gorbachev and the union government.

After hearing a tape-recording of Mr Yeltsin's speech on Saturday, the deputies decided that any attempt to condemn him would only increase his considerable popularity. Such popularity is in stark contrast to the almost total absence of support for Mr Gorbachev among ordinary people.

The fate of the union referendum is shrouded in confusion. Several republics are insisting on secondary questions, some seeking to change the question on the ballot paper. Six outright rebels – the three Baltic republics, Armenia, Georgia and Moldavia – are refusing to organise the referendum at all.

The original question is whether voters want to preserve the "Union of Soviet Socialist Republics" as a renewed federation. Many voters may want to preserve the union, but not the "soviet" and "socialist" nature of it.

The opposition is equally confused, torn between calls to vote no, to spoil their ballot papers, or to abstain.

All this is taking place against a background of heightened political tension, as coal miners at the two largest coalfields – the Ukrainian Donbas and Siberian Kuzbas – voted yesterday on whether to call a general coal industry strike. Mr Yeltsin's only political appearance yesterday was to meet the Kuzbas strike committee leaders, underlining the depth of the radical alliance now facing Mr Gorbachev.

The Soviet leader still has the backing of the three pillars of Soviet society – the Communist party, the military command and the KGB.

But Mr Yeltsin's continuing popularity, marked by demonstrations in dozens of towns and cities at the weekend, is proving a formidable challenge in the struggle for power.

Indian parties strive to avoid another poll

By David Housego in New Delhi

INDIA'S parliament yesterday rushed through an interim budget in a clearing-up of business before its dissolution and fresh elections.

Although all the parties have publicly declared their support for elections, there was intense manoeuvring over the weekend to see whether fresh polls could be avoided by the creation of a new coalition government.

The call for elections follows Mr Chandra Shekhar's resignation as prime minister last week. He accused the Congress party – on whom he depended for support in parliament – of making demands humiliating to his government. He has been asked by the president to stay on as head of a caretaker administration.

Senior ministers in Mr Chandra Shekhar's government and leading members of Mr Rajiv Gandhi's Congress party have pressed the case for a renewed coalition. Among both groups, there is considerable nervousness that an election in May – now the most probable date – could be damaging to their parties' fortunes.

The interim budget – a "vote on account" – was rushed through parliament at such a pace that many members were afterwards confused over what exactly they had approved.

The government was to have raised Rs25bn ($1.3bn) by selling 20 per cent stakes in selected public sector enterprises to state-owned mutual funds and financial institutions.

But finance ministry officials made clear that the interim budget – including spending cuts on both subsidies and capital investment – would be subject to review by a new government in its first budget.

On the assumption of an election in late May, the earliest a budget could be presented would be late June.

Negotiations with the IMF and the World Bank over fresh assistance have been put on ice until a budget is presented.

The Congress party, in an effort to dampen reports that it would like to avoid fresh polls, has announced that it has asked the election commissioner to hold a general election between May 15-25.

This is seen as the most appropriate time, falling between the end of the Moslem fast of Ramadhan and before the monsoon.

● Reflecting India's cumulative political and economic problems, Standard and Poor's, the US credit rating agency, announced over the weekend that it had downgraded from triple B(BBB) to triple B minus(BBB-) its rating for the country's long-term paper.

This is the lowest investment grade accorded by the US agency, but falls short of a warning to lenders against extending.

Spanish cabinet shuffle marks a decisive move towards right

By Peter Bruce in Madrid

POLITICAL power in Spain appeared to have moved decisively towards the right yesterday as Mr Felipe González, the prime minister, used a long-delayed cabinet reshuffle to replace his former left-wing deputy with a Catalan moderate, and to spread the influence of his conservative finance minister, Mr Carlos Solchaga.

Mr González promoted Mr Narcís Serra, his former defence minister, to deputy prime minister and merged the high-spending public works and transport ministries under a new minister, Mr Jose Borrell, the former revenue service chief.

He also promoted Mr Pedro Solbes, deputy minister for European Community affairs, to minister of agriculture replacing Mr Carlos Romero.

Mr Serra, Mr Solchaga, Mr Borrell and Mr Solbes, along with Mr Francisco Fernández Ordóñez, the veteran foreign minister, are likely to form the leading edge of an attempt by Mr González to make a Herculean last effort to make Spain a serious competitor in Europe after the single market begins operating in 1993.

The new cabinet will be far more open to ideas designed to speed Spain's adaptation to the EC. Until last January, Mr Alfonso Guerra, deputy prime minister, had virtual control of cabinet agendas and was hostile to many of Mr Solchaga's policies, particularly the lifting of subsidies.

A priority for the government will be to try to reach agreement with sceptical trade unions on a "competitiveness pact" which would trade wage rises for increases in productivity nationwide.

Spanish wages are growing more than twice as fast as the economy.

Although Mr Solchaga has been able to place Mr Borrell in a position of considerable influence, and to keep a confidant as industry minister, it is possible that he and Mr Serra could come into conflict on economic policy unless Mr González keeps them apart. Mr Serra has, in effect, nothing to do and has always wanted the finance portfolio.

The prime minister also appointed Mr Julian Garcia Valverde, chairman of the rail monopoly Renfe, as health minister. He replaces Mr Julian Garcia Vargas, who moved to defence.

Banks fail to halt $ rise

Continued from Page 1

to control inflation.

After a sharp rise in the dollar in Far East trading, central bank governors from the leading industrialised countries authorised the dollar sales at their monthly meeting in Basle, Switzerland.

Although a broad coalition, including the national banks of Spain, Sweden, Switzerland, Belgium, Austria, Norway and Finland, rallied swiftly to the Bundesbank's side, others were less convinced of the need to halt the dollar's rise.

The central banks of France and Italy stayed aloof from the intervention. The Bank of England was a late entrant – it is thought to have been ambivalent about participating and to have agreed mainly because of concern about the speed of the US currency's rise.

Less than two week's ago, the dollar's strength was one factor that had enabled the Bank to cut UK base rates by half a percentage point to 13 per cent. The Bank signalled yesterday that it did not want to any further immediate rate cuts, by lending £45m at 13 per cent to the UK money market for 14 days.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]
Boulogne	[illegible]	[illegible]	[illegible]
Bristol	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]	[illegible]
Buenos Aires	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]
Dallas	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]
Geneva	[illegible]	[illegible]	[illegible]
Gibraltar	[illegible]	[illegible]	[illegible]
Glasgow	[illegible]	[illegible]	[illegible]
Hamburg	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]
Isle of Man	[illegible]	[illegible]	[illegible]
Istanbul	[illegible]	[illegible]	[illegible]
Jakarta	[illegible]	[illegible]	[illegible]
Jersey	[illegible]	[illegible]	[illegible]
Johannesburg	[illegible]	[illegible]	[illegible]
Las Palmas	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]
Los Angeles	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]
Madeira	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Majorca	[illegible]	[illegible]	[illegible]
Malaga	[illegible]	[illegible]	[illegible]
Malta	[illegible]	[illegible]	[illegible]
Manchester	[illegible]	[illegible]	[illegible]
Manila	[illegible]	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Montreal	[illegible]	[illegible]	[illegible]
Moscow	[illegible]	[illegible]	[illegible]
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Nairobi	[illegible]	[illegible]	[illegible]
Naples	[illegible]	[illegible]	[illegible]
Nassau	[illegible]	[illegible]	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	[illegible]	[illegible]	[illegible]
Oporto	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Peking	[illegible]	[illegible]	[illegible]
Perth	[illegible]	[illegible]	[illegible]
Prague	[illegible]	[illegible]	[illegible]
Reykjavik	[illegible]	[illegible]	[illegible]
Rhodes	[illegible]	[illegible]	[illegible]
Rio de Janeiro	[illegible]	[illegible]	[illegible]
Riyadh	[illegible]	[illegible]	[illegible]
Rome	[illegible]	[illegible]	[illegible]
Salzburg	[illegible]	[illegible]	[illegible]
San Francisco	[illegible]	[illegible]	[illegible]
Seoul	[illegible]	[illegible]	[illegible]
Singapore	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Strasbourg	[illegible]	[illegible]	[illegible]
Sydney	[illegible]	[illegible]	[illegible]
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Toronto	[illegible]	[illegible]	[illegible]
Tunis	[illegible]	[illegible]	[illegible]
Valencia	[illegible]	[illegible]	[illegible]
Venice	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Wellington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday March 12 1991

INSIDE

Currency movements help Heinz profits

Heinz, the US food group, pushed third-quarter net profits up 10 per cent. Currency movements coupled with some volume increases and the effect of acquisitions helped it to make an after-tax profit of $128.9m in the three months, compared with $117.2m in the same period a year earlier. Earnings per share improved from 44 cents to 49 cents. Sales in the third quarter improved 14 per cent to $1.6bn from $1.41bn. Page 24

Foreign life in British Vita

British Vita, the Manchester-based polymer, fibre and foam group, achieved a 12 per cent increase in pre-tax profits from £48.3m to £54.2m ($100.8m) during the year to end-December. The strength of its German markets, which now account for one third of the group operations, helped offset a downturn experienced in the UK and Spain. Group turnover was up from £589m to £636m. Page 30

BBA falls to £75m

A sharp decline in the second half pushed 1990 pre-tax profits 9 per cent lower at BBA, the international company which serves the automotive, industrial and aviation markets. Profits fell to £75m ($139.5m) last year as sales rose 1 per cent to £1.28bn. Earnings per share dropped 18 per cent to 16.12p. Earnings were depressed by an extraordinary provision of £15.4m, which covered settlement of claims over a gas rig contract, and from the closure and disposal of peripheral businesses. Page 28

Combatants line up for epic Continental meeting

Tomorrow's vital extraordinary shareholder meeting of Continental, the German tyre manufacturer, sees two highly individualistic executives pitted against each other. The stocky, forceful head of Conti, Horst Urban (left), will attempt yet again to rebuff the unwelcome corporate advances of the rival tyre group headed by the elegant Leopoldo Pirelli. The outcome of the meeting may well be a watershed in German business history, with the future of corporations now decided in the public spotlight. Page 24

Hong Kong results season starts

The annual results season is about to get under way in Hong Kong. Most of the colony is resigned to significant declines in post-tax profits from three leading companies – Hongkong and Shanghai Banking Corporation (reporting today), Swire Pacific, and Swire's Cathay Pacific Airways subsidiary. There are still some glimmers of hope, which partly explains the recovery in the Hang Seng index to close at its highest level since the 1987 crash. John Elliott reports. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Hapag Lloyd	440	+	30	Fonc Lyon	865	+	15
Falls				Roussel-Uclaf	1900	+	38
AG Ind & Ver	865	−	22	Falls			
Douglas Hldgs	740.5	−	14.5	Club Med	511	−	19
Kaufhof	454	−	12	Ecco	1417	−	43
Metallgesell	485.5	−	12.5	Imetal	280	−	20
Volkswagen	372.7	−	18.3	Locafrance	477	−	22
NEW YORK ($)				Pechiney	689	−	21
Rises				TOKYO (Yen)			
Lasercope	15¾	+	1¾	Rises			
Pan Am	1¼	+	¼	Dai-Ichi Kasei	1130	+	130
Sierra-on-Line	24¾	+	2¼	Daiwabo	899	+	77
Falls				Fuji Kiban	872	+	100
Intel	48⅝	−	4⅞	Nakamaya	1240	+	150
NCR	98½	−	1¾	Tokyo Tanchi	981	+	111
Sunwest Fin.	14	−	1½				

New York prices at 12.30.

LONDON (Pence)							
Rises				Norfolk Res	75	+	15
Airtours	217	+	31	Rosehaugh	103	+	11
Beazer Walker	84	+	15	Reed	116	+	11
C'nell Averling	70	+	15	Spurway	109	+	16
Castings	117	+	14	Transport Dev	256	+	16
Chrysalis	85	+	24	WPP	192	+	37
Davies Newman	178	+	23	Wood (JD)	95	+	17
Fila Indmar	81	+	10	Falls			
Grand Met	771	+	23	British Vita	225	−	15
Harvey Thompson	323	+	30	Cable & Wire	520	−	13
Ladbroke	286	+	12	Next	27½	−	5
Memec	282	+	82				

DSM profits fall 22% as feedstock prices increase

By Ronald van de Krol in Heerlen

DSM, the Dutch chemicals group, said yesterday that its 1990 net profits before extraordinary items fell 22 per cent to Fl 811m ($455.6m), in line with the company's expectations. It blamed the downturn on narrower profit margins caused partly by higher feedstock prices sparked by the Gulf crisis.

DSM also intends to retain its 6 per cent stake in DAF, the Dutch commercial vehicles maker, until at least July 1992, said Mr Aad Timmermans, DSM's finance director.

When DAF was floated in 1989, DSM agreed not to sell its remaining shares until July 1991. DSM has now extended that deadline by a year or more to help DAF, which plunged into the red last year, through a difficult period.

On its 1990 results, DSM noted that although profit levels had already begun to level off in mid-1989, this trend was accelerated by the outbreak of the Gulf crisis last August.

If extraordinary items are included, net profit showed an even steeper decline of 38 per cent to Fl 859m in 1990 from a record Fl 1.38bn in 1989.

Last year's figures contained only Fl 47m in extraordinary income – including the book profit on DSM's divestment of its 9.7 per cent stake in Clyde Petroleum of the UK – compared with Fl 345m the year before.

Mr Hans van Liemt, DSM's chairman, said that early 1991 had developed in line with the lower fourth quarter of 1990.

The company is maintaining its 1990 dividend at the 1989 level of Fl 8.

Mr van Liemt also announced that DSM's resin division is to acquire BWR, a German producer of polyester semi-manufactures used in the automobile and electrical industries. BWR, whose full name is Bizerba Werkstoffsysteme und Fahrzeugbau, has annual sales equivalent to Fl 90m and a workforce of 600.

DSM's 1990 turnover fell by 6 per cent to 10.2bn. This was due entirely to the company's decision to deconsolidate its 56 per cent-owned clothes retailing group for which it is seeking a buyer.

The company's two biggest divisions, polymers and chemicals, were hit hardest by the rise in feedstock prices in late 1990.

In polymers, operating profit fell to Fl 520m from Fl 750m in 1989.

The chemicals division saw its operating profit nearly halved to Fl 184m from Fl 310m, reflecting poor results for acrylonitrile (a raw material used to make polyacrylic fibres) and narrower margins for caprolactum, another fibre intermediate.

Mr van Liemt described the 1990 results as satisfactory under the circumstances. Compared with some other international chemicals groups, DSM's exposure to the recession in the US and the UK was relatively low because its main markets are in continental Europe.

Fujitsu takes stake in BT unit

By Paul Abrahams

FUJITSU, the Japanese technology group, has acquired a 74.9 per cent stake in the products division of Fulcrum Communications, British Telecom's last remaining UK-based manufacturing operation.

The sale is part of BT's strategy to cut costs and return to its core telecommunication services business. It gives Fujitsu a point of entry to the European telecommunication equipment market.

Neither company would give financial details of the deal. The division, which manufactures transmission and other telecommunications equipment, had a turnover of £26m ($48m) last year and was profitable, according to BT.

Fujitsu plans to invest about £18m in the venture which is based in Birmingham. It will also be sending a senior executive and technical teams to help improve manufacturing processes at the main plant.

Mr Michio Fujisaki, the general manager of Fujitsu's transmission systems group who is due to be appointed non-executive chairman of Fulcrum, said he expects the company to achieve a turnover of £100m within five years.

Fujitsu plans to transfer technological expertise to the company, particularly in the area of synchronised digital hierarchy, a standard for rapid transmission of data, said Mr Fujisaki.

The move is part of Fujitsu's plan to globalise operations. It already operates a wholly-owned subsidiary in the US which makes transmission equipment.

BT is keeping the services division of Fulcrum which is being renamed BT Repair Services.

Lex, Page 20

Bernard Arnault: had always planned to resell Lanson to recoup some of LVMH's expense when it bought the brand last year

LVMH poised to sell Lanson

By William Dawkins in Paris

MOET Hennessy Louis Vuitton (LVMH), the French drinks and luxury goods group, is expected shortly to announce the sale of its Lanson champagne brand and stocks to Marne & Champagne. The deal could be worth about FFr1.6bn ($302m).

A family-controlled company based in Epernay, north-eastern France, Marne & Champagne would become the world's second-largest producer if the deal goes through. It currently ranks fifth.

Marne & Champagne is acting in a joint venture which is 20 per cent owned by Allied-Lyons, the British drinks company.

LVMH's seven remaining brands – including Moët et Chandon and Veuve Cliquot among others – still leave it as the world's largest producer. It has just under a quarter of the market.

Marne & Champagne sold 809,000 cases in 1989, to which Lanson would add another 585,000 cases. This would place the group just ahead of Seagram, the Canadian drinks company, which owns the Mumm and Perrier-Jouet brands.

Headed by Mr Gaston Burtin, Marne & Champagne owns relatively unknown labels such as Alfred Rothschild, Giessmann and Gauthier. A large part of Marne & Champagne's production goes to making own label champagne for supermarkets and restaurants.

LVMH took control of Lanson last December. It paid BSN, France's leading foods group, FFr3.1bn for the brand and its associated label, Pommery, as well as assuming FFr1bn of their debts.

Mr Bernard Arnault, LVMH chairman, had always planned to resell Lanson to recoup some of the purchase price, said company officials.

However, LVMH will keep the 500 hectares of prime quality champagne vineyard that went with the initial purchase. The decision reflects the rarity of land in the region, where vineyards worthy to carry the champagne name have been tightly controlled by law for 64 years.

LVMH also plans to keep the Pommery brand. The product sells well in the Far East and could be distributed through the same networks as other LVMH products, said company officials. The Far East last year accounted for 35 per cent of the sales of LVMH, which also owns Louis Vuitton luggage, Christian Dior perfume and Hennessy cognac.

Champagne shuffle, Page 22

Norwegian groups fail to agree on merger

By Karen Fossli in Oslo

A SECOND attempt by Christiania Bank, Norway's second biggest bank, and Realkreditt, Norway's biggest credit institution, to merge has failed because the two loss-making finance groups could not agree on the terms of the deal.

Negotiations broke down at the weekend following recommendations by both sides' accountants on the value of the two firms. The valuation was meant to establish how many Christiania shares Realkreditt owners would receive.

Realkreditt, which specialises in mortgages and loans to industry, is not quoted on the Oslo bourse, but if the deal had gone through it was planned to float the group. The companies said in mid-January they would seek to merge, making Realkreditt a fully-owed subsidiary of the bank.

The companies have suffered heavy credit losses over the past four years, as have many other Norwegian lending institutions. This has forced several mergers as the banks scramble to stem mounting losses and improve capital adequacy.

"On Friday it became obvious that an accord would not be reached," the two said.

Last August, Christiania and Realkreditt sought to create a big holding company, but the deal collapsed a month later when the finance ministry changed the conditions agreed between the two groups.

However, Realkreditt said that it is studying alternatives and that it plans to expand its capital by at least NKr300m ($49.2m). It would not give details.

Norges Bank, Norway's central bank, said that it is still willing to provide liquidity to Realkreditt, a commitment it made when the second merger attempt was announced. Through lending, this is meant to shore up Realkreditt's considerable refinancing needs in 1991.

"Norges Bank expects that a transfer of liquidity from the central bank to Realkreditt will also take place under other solutions," it said.

Last week, Christiania reported record net losses of NKr1.85bn for 1990 while Realkreditt earlier posted net losses of NKr493m.

Norway's banks have warned that high credit losses could continue in 1991 and, because the crisis in the banking system has deepened, the finance ministry in January said that it would establish a NKr5bn bank insurance fund, as an extra buffer to the banks' own guarantee funds, which have all but run dry.

Losses at Sparebanken, Page 27

Looking back on years of living dangerously

David Lascelles talks to the former Midland Bank chief

SIR KIT McMahon knew he was taking on a tough job when he became executive chairman of the Midland Bank five years ago.

Last week, he announced his decision to retire a year early after the bank's latest bout of problems forced him to recommend a dividend cut. A subsequent interview found him in a philosophical mood.

What is it about Midland that seems to condemn it to perpetual membership of the ranks of the walking wounded? "The guts of income generation have been knocked out of this bank," he replied with his customary forthrightness. As Sir Kit sees it, Midland was fundamentally weakened by the disastrous decisions of the past, particularly the acquisition of the US-based Crocker National Bank in the early 1980s. This not only loaded it with a huge burden of bad debts, particularly in the Third World, but it left the group drained of capital.

While other banks have spare capital – in effect, free money on which they can earn a return – Midland has no such fat. It has to struggle for every penny. So its earnings retentions are lower. This prevents it from accumulating spare capital and so the vicious circle goes on.

Add to that the fact that its cost structure is the worst among the big clearing banks, and it is like competing with one hand tied behind one's back.

Sir Kit says his biggest disappointment was his failure to consummate the marriage with the Hongkong and Shanghai Bank. "The effort on Hongkong was a serious distraction," he says. It prevented him from attending as closely as he wanted to other aspects of the bank, and the collapse left Midland without any alternative strategy. It was a big reason why he decided to leave.

He still believes the deal would have been good for Midland, giving it a strong partner.

Sir Kit also learned from this experience that combining the roles of chairman and chief executive was not appropriate. Although, ironically, he was asked to link them because of the bank's disastrous experience when they were divided under his predecessors, they will now be split again. He will be succeeded by Sir Peter Walters as chairman and Mr Brian Pearse as chief executive.

Sir Kit McMahon

What of Midland's future: how can it break out of the circle of weakness and loss?

"I think Midland is quite well positioned," replies Sir Kit. He cites the start that has been made on cutting costs and instituting tighter asset and liability controls – which he believes are the best in the business. The management structure has also been streamlined. Mr Pearse, former finance director of Barclays, will strengthen clearing bank experience in the top echelons.

Might Midland's problems also stem from the fact that it is still too ambitious? Apart from its UK banking operations, it owns several banks in continental Europe, as well as non-banking businesses such as Thomas Cook travel and Forward Trust leasing.

Sir Kit agrees that the synergies with the non-banking side have been disappointing, and both Thomas Cook and Forward Trust are sale prospects. But he thinks Midland should stick with its continental operations. Apart from the fact that they earn money, they give Midland a healthy diversification. He predicts that other clearers who have focused mainly on the UK market will run into difficulty.

"We're obviously not a world bank. But I think we have the best European network. We must also develop non-asset-based businesses, such as joint venturing with other financial service providers in insurance, for example."

He also thinks Midland should pull back from the big corporate market, where margins have been driven down by competition. Midland, he says, should concentrate more on the small- and medium-sized area.

But does the UK need four big clearing banks (six, if you include Abbey National and TSB), a question casting doubt over Midland's own future? "I've thought about that a lot," says Sir Kit. His answer is yes. There could be some amalgamation in the crowded market for large company business. But lower down the scale, where small- and medium-sized companies are concerned, the Big Four serve more than 80 per cent of the market. "It's already very concentrated."

However, Sir Kit says, "There has to be a rationalisation of the distribution network. But it doesn't follow that you should have fewer institutions. So I see Midland continuing as an independent bank."

British Gas raises £350m in sterling bond issue

By Simon London in London

BRITISH GAS yesterday launched one of the biggest bond issues by a company in the international bond market, raising £350m with an issue of sterling paper maturing in 10 years.

The issue was striking not just because of its size but also because corporate borrowers have largely been shut out of the Eurobond markets recently because of wariness by investors. It was lead managed by Credit Suisse First Boston, which placed around two-thirds itself with a spread of international investors. The bonds pay a 10¾ per cent coupon and were offered to investors yesterday to yield just over ¼ per cent more than the benchmark 10-year UK government bond issue.

In the face of a worsening recession in the US and in many European economies, international investors are often wary of buying corporate paper. British Gas has a triple-A credit rating, however, and was planning to use the proceeds in sterling, rather than swap it into another currency as had been common until recently.

That increased the ease with which the British Gas deal could be arranged, since banks have become increasingly cautious about arranging swaps. They are concerned about the risk of the counterparty running into financial problems during the life of the swap.

The money will be used to repay the penultimate tranche of a £2.5bn loan made by the government when British Gas was privatised in December 1986. A final £350m repayment falls due next year.

Mr Arthur Burgess, group treasurer, said British Gas had no liabilities beyond four years. Yesterday's issue was therefore an opportunity to lengthen the maturity of it's outstanding debt obligations.

Sterling sector tested, Page 31

Ahold sees earnings increase by 25%

By Ronald van de Krol in Heerlon

AHOLD, the Dutch food retail group which is active in both the Netherlands and the US, reported a 25 per cent increase in 1990 net profit and predicted a further rise in 1991.

Net profit rose to Fl 243.3m ($136.7m) from Fl 194.6m in 1989. Sales in guilders fell by less than 1 per cent to Fl 17.54bn but they would have been 7.5 per cent higher if it had not been for the decline of the dollar.

The weaker dollar also held down the rise in net profit by Fl 18m, Ahold said. The company which last week announced that it was close to buying Tops Markets, a supermarket chain in New York state with annual sales of $1.15bn, attributed the 1990 gains to higher operating results on both sides of the Atlantic.

Other factors were increased contributions from non-consolidated companies and lower interest charges.

It plans to raise its 1990 dividend to a combination of Fl 1.05 and $0.325 per share, from Fl 0.92 and $0.20 in 1989.

The acquisition of Tops Markets in the US – which will add a fourth US supermarket chain to Ahold's existing Bi-Lo, Giant Food and First National chains – will make only a limited contribution to 1991 net profit because of acquisition costs and interest expenses.

Operating profit at Ahold's existing three US chains soared by 36.9 per cent to $94.1m.

LVMH adds to champagne shuffle

William Dawkins and **George Graham** on the FFr1.6bn sale of Lanson

AN in-joke doing the rounds these days in Epernay, the town where most of France's top champagne houses are based, is that the only difference between a rich champagne grower and a poor one is that the poor one washes his own Mercedes.

Champagne has been big business for the region ever since the 17th century when Dom Pérignon, a local monk, achieved immortality by discovering how to put bubbles into the local wine.

But it has now achieved new heights. Moët Hennessy-Louis Vuitton (LVMH), the drinks and luxury goods giant which is the world's largest champagne producer by a long way, is poised to sell one of its minor brands, Lanson, for an estimated FFr1.6bn ($300m). It is the final twist of a much bigger deal, which concludes the most radical reshuffle of champagne brands for years.

The buyer is Marne & Champagne, a private, family-controlled company keen to find an expensive well-known label like this one to stick on to its own bottles. Marne & Champagne has a large production, but is relatively unknown because a large proportion of its sales are own-label brands for restaurants and supermarkets. It is acting with Allied Lyons, the UK drinks multinational, which owns 20 per cent of a joint venture with the French buyer.

This is a fast turnround for LVMH, which bought Lanson last December, along with its more upmarket sister brand Pommery, for FFr3.1bn as well as shouldering their FFr1bn debts. It represented an impressive profit for Pommery and Lanson's former owner, BSN, the leading French food and drinks group, which bought the pair for just FFr600m as little as eight years ago.

Mr Bernard Arnault, LVMH chairman, had it in mind right from the start to recoup a large slice of the purchase price by reselling Lanson, the company says.

What he really wanted from the twin-brand deal was 500 hectares of some of the best vineyards in the region, to add to the 1,000 hectares already owned by LVMH brands, including Moet & Chandon, Veuve Cliquot, Mercier, Canard Duchêne, Ruinart and Henriot.

Land is like gold-dust in the region. Strict laws have, since 1927, laid down which vineyards can and cannot call themselves champagne growers, so that every square centimetre is now planted with vines.

Mr Arnault also wanted to hold on to the Pommery name because of its strength in Japan, an important market for all of LVMH's luxury businesses, like Louis Vuitton luggage, Hennessy cognac and Christian Dior perfume.

Marne & Champagne merely gets the Lanson brand, buildings and stock. "Considering that Lanson comes without the vineyards, it is a high price," says Mr Jean-Marie l'Homé, analyst at the Paris office of brokers James Capel. The price that LVMH paid in the first place looks high, at 39 times net historic earnings.

Obviously, the flurry of activity comes in the first place because of BSN's decision to cut and run from champagne, a strategy motivated by the food group's desire to cut debts and focus more tightly on its main businesses, selling dairy products, mineral water, beer, pasta and biscuits.

What made it such a good moment for BSN to move was last year's acrimonious breakdown of a 31-year-old production allocation and price-fixing agreement between the champagne houses and the growers.

The 19,000 small independent growers played on their strength as owners of 85 per cent of the vineyards in the region to drive the hardest bargain they could get. Champagne grape prices have since climbed by between 20 per cent and 25 per cent, feeding through to price rises of the same order for bottled bubbly.

This is despite last year's harvest being the third largest on record and comes at a bad moment, when luxury goods markets the world over are losing their fizz. It is especially serious for a market that remains dominated by its own country. France consumed 155m bottles in 1989, far ahead of the next largest market, Britain, with 23m bottles.

All this gives a clear advantage to any brand that can purchase some production and a measure of independence from the rebellious champagne growers. On average, LVMH's brands had around 20 per cent of their own production before the Pommery and Lanson purchase.

"Simply put, the champagne houses need more grapes," says Impact International, a drinks industry consultant. It points out that total champagne shipments rose by 9 per cent in 1988 and 4.9 per cent last year, well over the 1 to 2 per cent increase in supply for the grapes that went into those years' sales.

If nothing else, the deal destroys the mistaken idea that more romantic champagne drinkers have in mind – that they can identify the vineyard where their bubbly came from.

THE WORLD'S TOP CHAMPAGNE SELLERS

	9 litre cases (1989)	Brands
LVMH	4.48m	Moët et Chandon, Veuve Cliquot, Mercier, Canard Duchêne
Marne & Champagne	1.39m	Lanson, Alfred Rothschild, Geismann, Pol Gessner, Gauthier
Seagram	1.34m	Mumm, Perrier-Jouët, Heidsieck Monopole
Laurent Perrier	925,000	Laurent Perrier
Rémy Martin	815,000	Piper-Heidsieck, Charles Heidsieck, Krug

Source: Impact Databank

Bekaert cuts payout after BFr454m loss

By Andrew Hill in Brussels

BEKAERT, the Belgian producer of steelcord and wire, yesterday confirmed shareholders' fears and announced that it had fallen into the red in 1990 and cut its dividend for the first time in 10 years.

The group revealed a consolidated loss of BFr454m ($14m), compared with a profit of BFr3.66bn in 1989. Recession in the UK and US, the strength of the Belgian franc and the highest depreciation charge the group had ever sustained, all took their toll.

The collapse of last year's profits had been well-heralded: a warning last July was followed by disappointing interim figures and news of the poor final results leaked out to a Flemish financial weekly on Friday. Mr Jean Charles Velge, the chairman, said yesterday the result was "not surprising". The company was in "a transition period," he said.

The group's directors have proposed a net dividend of BFr100 per share, a third of the 1989 pay-out. They stressed yesterday there was no liquidity crisis, despite a halving in cash flow and increased debt.

Bekaert's depreciation charge rose to more than BFr3bn as the company continued to invest heavily without increasing its capital.

Sparebanken Nor incurs NKr618m operating loss

By Karen Fossli in Oslo

SPAREBANKEN Nor, formed last autumn through a merger between ABC Bank, Norway's biggest savings bank, and four small savings banks and known internationally as Union Bank of Norway, has announced a net operating loss in 1990 of NKr618m ($101.35m).

Credit losses for the group reached NKr1.523bn. Sparebanken Nor said that 75 per cent of the losses were incurred from loans to industry, but that the loss in value of property also added to the fall.

However, the group said that losses on loans to private sector customers also showed an increasing trend and that for each NKr100 lent, a loss of NKr1, on average, was incurred. The bank's loan portfolio stood at NKr60bn at the end of 1990, some NKr2.6bn higher than at the end of 1989.

Sparebanken Nor posted an operating profit of NKr968m in 1990 – for ABC Bank in 1989 it was NKr1.477bn – before losses.

● Sparebanken Nor is to seek an Oslo listing for NKr546.9m primary capital certificate (PCC), a relatively new hybrid share/bond financial instrument. PCCs were launched in the autumn of 1988 as a means for the savings banks to generate new equity capital.

Taylor Woodrow slips

By Andrew Taylor in London

TAYLOR WOODROW, the British property, construction and housebuilding group, yesterday announced its first fall in annual pre-tax profits for 30 years. The figure for the 12 months to end-December fell by 28 per cent to £83.4m ($156.1m) from £116.9m in 1989.

The company also announced a fall of almost a fifth in the value of its commercial property portfolio from £801.9m to £646.1m.

The figures underline the extent of the decline in the UK property markets. They follow a string of disappointing results, and in some cases reduced dividends, reported in the last few weeks from UK construction companies.

After all deductions, earnings per share fell from 23.7p to 16.8p. Profits included a surplus of £7.5m arising from the early repurchase of 44 per cent of an £80m mortgage debenture.

Observer, Page 18; Lex, Page 20

Luxembourg bank advances 12%

By Andrew Hill in Brussels

BANQUE Generale du Luxembourg lifted net profits by more than 12 per cent to LFr1.26bn ($39m) for 1990, against LFr1.12bn in the previous 12 months, after allowing for provisions.

The group is proposing a net dividend of LFr450 per share, compared with LFr430 in the previous year.

Nobel falls to SKr1.04bn

By John Burton in Stockholm

NOBEL Industries, the Swedish chemicals and technology group, yesterday reported a 16 per cent drop in profits after financial items to SKr1.04bn ($180m) for 1990, while sales rose by 20 per cent to SKr26.4bn.

The board proposed an increase in the dividend to SKr2.25 per share from SKr2.

Although operating profits rose by 23 per cent to SKr2.8bn, mounting interest costs for several big acquisitions, including Stora Kemi in Sweden and Crown Berger in the UK, reduced the results. Financial costs increased by 19 per cent to SKr2.05bn, while financial income amounted to SKr1.29bn.

Outokumpu plummets

By Enrique Tessieri in Helsinki

OUTOKUMPU, the Finnish state-owned base metals group, reported a sharp drop in income before extraordinary items in 1990 to a loss of FM124m ($33m), against a profit of FM1bn the previous year.

Consolidated sales also fell by 4 per cent to FM11.28bn from FM11.77bn. Operating margin dropped to FM990m from FM2.09bn and accounted for 8.8 and 17.8 per cent of consolidated sales respectively.

Earnings per share plunged to FM4.41 in the red from a profit of FM10.18. Outokumpu has not yet decided whether it will propose a dividend for 1990.

INTERNATIONAL COMPANIES AND FINANCE

Hong Kong braces itself for chairmen's remarks

As the colony's annual corporate results season gets under way, John Elliott feels there are unlikely to be any surprises

HONG Kong does not like shocks and surprises. As an entrepôt-cum-financial centre located on the southern tip of China, it is intensely vulnerable to the ups and downs of its large neighbour's politics and to the cycles of world trade. So it tries to come to terms with bad news as early as possible – then it can easily be surprised if the news is not quite so bad as expected.

Thus it is braced to learn in the annual corporate results season now getting under way that after-tax profits of companies in the local Hang Seng Index rose last year, according to predictions by analysts, by an average of only about 6 to 9 per cent. This compares with 15 per cent in 1989 and a range of 15 to 17 per cent expected in the current year.

It is also resigned to announcements of significant declines in profits from three leading companies – the Hongkong and Shanghai Banking Corporation reporting today, Swire Pacific, and Swire's Cathay Pacific Airways subsidiary. Together, these three are substantially responsible for pulling down the forecast average.

In the same vein, the market was surprised and confidence was boosted last week when Swire's Haeco aircraft engineering subsidiary turned in a small increase in profits instead of a widely forecast loss.

This helped the stock market shrug off the prospect of the bad news and rise quickly in excess of most analysts' predictions. Yesterday it closed with the Hang Seng index at 3,669, which is its highest since the world markets crash of 1987, after reaching 3,697 during the day. Serious speculation has now started for the first time in a year about when the all-time pre-crash high of 3,949.7 might be breached.

The rise partly reflects the expectation of improved corporate performance this year and next, plus the fact that Hong Kong's economy is picking up. Late last year it dragged itself away from near-zero growth to finish 1990 with the government estimating 2.4 per cent growth in GDP for the year as a whole and forecasting 3.5 per cent this year.

Prospects are not good, however, for companies in the tourist field, especially the over-supplied hotel sector, nor for those in office and luxury residential property, many consumer products, and textiles. But that does not mean that all companies involved will produce bad results.

William Purves, chairman of Hongkong Bank, where post-tax profits are forecast to be down by 30 to 40 per cent are expected to be the financial centre's worst result

Hongkong Land, for example, Jardine Matheson's property subsidiary which dominates the main central office market, is forecast to produce profits next week up 30 to 40 per cent from 1989's HK$1.5bn. despite a slump of 30 per cent or more last year in office property rents. This has been achieved because a large number of its leases fell in last year at prices far below current rates – this year and next, however, will be tougher.

Jardine's Mandarin Oriental hotel company has not been able to escape local problems so easily, and it is forecast to produce a drop in profits without much hope of improvement in the current year because its flagship, Hong Kong's Mandarin Hotel, is facing incessant competition. Overall, Jardine Matheson is expected to report profits next week up 15 to 20 per cent on 1989's HK$1.52bn.

The worst expected result will come from the Hongkong Bank, whose post-tax profits are forecast to be down by 30 to 40 per cent from HK$4.77bn a year ago. There was a 20.7 per cent fall in the first half year, and Mr Willie Purves, the chairman, has warned time and again that the situation has worsened since then.

But like much of Hong Kong's other bad corporate bad news, this has been caused by problems abroad.

Hong Kong companies do not find the business climate overseas so easy to cope with as their familiar tightly-knit domestic market, and this is upsetting many diversification plans ahead of Hong Kong's return to Chinese sovereignty in 1997.

Hongkong Bank, in particular, has had to learn its lesson the hard way as its profits have been pulled down sharply by losses and bad debt provisions in overseas subsidiaries, notably Marine Midland in the US, an Australian offshoot, and the James Capel in the UK.

In contrast, Hang Seng Bank, Hongkong Bank's main local subsidiary, had a good year, and last Friday turned in profits 20.2 per cent up at HK$2.19bn (US$281m) after tax and secret transfers to reserves. That was in line with the Bank of East Asia, the largest local family-controlled bank, which earlier reported a 16.9 per cent profits growth.

Along with other local banks, both Hang Seng and East Asia are doing well on trade finance and on home loans at the lower end of the market, and they say they are picking up some business from overseas banks which have trimmed Hong Kong activities.

Cathay Pacific Airways' profits are forecast to drop by 14 to 18 per cent from 1989's HK$3.3bn because of rising oil prices and the fall in air travel due to the Gulf crisis.

Coupled with slow letting of office space in Pacific Place, a large-scale prestige development near the central area, this is expected to pull Swire Pacific, its parent company, down by 14 to 20 per cent from 1989's HK$3.09bn.

Utilities such as Mr Li Ka-Shing's Hongkong Electric, the Kadoorie family's China Light and Power, and Cable and Wireless's Hongkong Telecommunications, have started the results season with good profits growth. Mr Li's main Hutchison Whampoa holding company is expected to lift profits 12 to 15 per cent.

The predictability of results from the utilities and from most property companies is one of the main attractions of the Hong Kong stock market for overseas investors.

If there are any surprises in the next few weeks, analysts expect them to be on the positive rather than the negative side of their predictions. And, in a place as jumpy as Hong Kong, most attention will be focused on chairmen's remarks about prospects for next year.

ANI posts interim profits down 18%

By Kevin Brown in Sydney

AUSTRALIAN National Industries, the industrial group controlled by Mr Kerry Packer's unlisted Consolidated Press Holdings, yesterday announced a fall of 18 per cent in interim net profits to A$47.7m (US$36.7m) after abnormal losses of A$8.7m relating to rationalisation costs.

ANI said revenue was down 30 per cent to A$805.9m, largely because of the disposal of a number of businesses in an attempt to reduce debt to zero by the end of the calendar year.

The directors said the restructuring of the group's operations which started in 1989-90 was substantially completed during the first half, and had made a large contribution to the "sound" result.

ANI said pre-tax profits were down 10 per cent at A$77m, primarily because of a fall in profits from the Australian distribution business, caused by the difficult economic climate.

The directors declared an unchanged fully franked interim dividend of 5.3 cents per share.

Poseidon up at A$29.5m

By Kevin Brown

POSEIDON, the gold and diamond producer run by Mr Robert Champion de Crespigny, yesterday announced net profits of A$29.5m (US$22.7m) for the six months to December, an increase of A$15.5m, on sales revenue up 26 per cent to A$133.1m.

The company said the result reflected a 16 per cent rise in managed gold production to 371,896 ounces and record diamond production of 478,502 carats from Bow River mine.

However, the full-year results are likely to be affected by a forecast of weaker second half profits from Poseidon Gold, the company's gold offshoot.

The second half will also be affected by a proposed merger between Poseidon and Normandy Resources, an associate company headed by Mr de Crespigny.

Normandy, which also reported yesterday, said it had increased net profits by 8.6 per cent to A$12.7m.

Both companies maintained their policies of not declaring interim dividends.

Keppel Corp ahead

KEPPEL Corp, the Singapore state-controlled shipbuilding to financial group, reported a rise in pre-tax profits to S$225m (US$129m) for 1990, from S$155.2m a year earlier, on turnover ahead at S$1.4bn compared with S$1bn, writes Joyce Quek in Singapore.

Operating profits rose to S$204.5m from S$134.5m while extraordinary profits doubled to S$63m from S$28.8m.

INTERNATIONAL COMPANIES AND FINANCE

Heinz rises 10% with help from currency factors

By Nikki Tait in New York

CURRENCY movements coupled with some volume increases and the effect of acquisitions helped Heinz, the large US food group, to report a 10 per cent improvement in net profits during the third quarter of its financial year to end-January.

The company made an after-tax profit of $128.9m in the three months, compared with $117.2m in the same period a year earlier. Earnings per share improved from 44 cents to 49 cents.

Sales in the third quarter improved more strongly, from $1.41bn to $1.6bn – a 14 per cent rise.

Heinz said the improvement was due to more favourable currency translation, some price and volume increases, and the impact of acquisitions. Areas that benefited noticeably from higher prices included baby foods and soups.

Mr Anthony O'Reilly, chairman, conceded that competition remained intense in the domestic market, particularly in Heinz's pet foods and slimming products divisions.

But he added the group was "encouraged" by performance to date on a worldwide basis, and predicted "satisfactory earnings" for the year.

In the first nine months, Heinz's profits stand at $411.9m, against $369.1m, on sales of $4.81bn, compared with $4.39bn. Per share earnings for the period were $1.55, up from $1.39.

GEC-Alsthom shuffle puts French at the helm

By Charles Leadbeater in London and Peter Bruce in Madrid

SENIOR management changes at GEC-Alsthom, the power engineering company, has consolidated the position of French executives within the group.

GEC of the UK and Alcatel Alsthom of France, the parents of the power engineering joint venture formed two years ago, have approved a plan under which Mr Jean-Pierre Desgeorges has become chairman of the group, with Mr Pierre Bilger becoming chief executive.

Mr Desgeorges, was previously chairman and chief executive. The reshuffle was prompted by the decision of Sir Robert Davidson, GEC's nominee, to retire in August as vice-chairman and deputy chief executive.

Mr Paul Combeau and Mr Jim Cronin will continue as managing directors.

One of Mr Bilger's priorities as GEC-Alsthom's new chief executive will be to try quickly to soothe the bruised relations the company has with the Spanish government, one of its biggest customers, following threats by Mr Desgeorges to abandon Spanish investments.

The trouble goes back to the end of 1988, when Alsthom was awarded the world's first export contract for high-speed TGV trains, worth some $500m, by Madrid.

In return, the Anglo-French group promised to take control of two large Spanish railway equipment producers, Macosa and MTM, after the government had pumped some Pta20bn into them to help clear their debts.

The two companies are expected to make a loss of some Pta 3.7bn (US$39.8m) in their first full financial year together.

According to Spanish officials, GEC-Alsthom management has demanded the state inject a further Pta16bn into the companies or award it the lion's share of a proposed $1bn deal to supply the state railway operator, Renfe, with new suburban trains.

Tyre showdown marks a watershed

Andrew Fisher examines Pirelli's merger approach to Continental

IT would be difficult to find two more contrasting characters than Mr Horst Urban and Mr Leopoldo Pirelli, the men heading the two tyre companies which will be pitted against each other at a vital shareholders' meeting tomorrow.

The stocky, forceful Mr Urban, 54, a post-war refugee from Silesia (now in Poland) at the age of nine, is the chief executive of Continental, the German tyre manufacturer which received a merger approach from Pirelli of Italy last September.

He has made no secret of his distaste for the idea of combining with Pirelli, opposing the terms, the timing, and the strategy in a highly outspoken manner.

Mr Pirelli, however, has maintained a discreet silence. A keen opera and sailing fan, the elegant 65-year-old chairman of the tyre and cables group has not made public statements on the merger proposal, let alone given press conferences. Mr Urban, who, unlike most top German managers, worked his way up the German corporate ladder without the aid of a university degree, has done plenty of both.

Both men have a good deal riding on the outcome of tomorrow's extraordinary general meeting. More than 2,000 shareholders of Continental are expected at the Congress Centre in Hanover, where the company has its headquarters. The EGM was called by a small shareholder to try to resolve the situation caused by Pirelli's attentions.

All along, Pirelli has claimed the support of shareholders holding more than 51 per cent of the German company's shares. This includes Pirelli's own 5 per cent stake, as well as those of Italian and German financial institutions.

The EGM will give it a chance to show its muscle, assuming that Continental – advised by Morgan Grenfell, the UK merchant bank – does not pull a legal rabbit out of the hat by successfully claiming the scale of support for Pirelli violates the German company's voting restrictions.

There are two main motions. One, requiring a simple majority, seeks to overturn the 5 per cent voting limit. Pirelli intends to vote on this point, both to remove the curb itself – a previous attempt by other shareholders to do this failed narrowly at the last annual meeting – and to show it really does have the backing it claims. It expects this motion to succeed by "an ample majority".

The other important motion instructs the management to take the steps needed for the June annual meeting to approve a merger with Pirelli.

Horst Urban: will find out what shareholders think of the Italian approach

WORLD TYRE MARKET SHARE AT END '89 (%)*	
Michelin (France)	22
Goodyear (US)	20
Bridgestone (Japan)	17
Continental (Germany)	8
Pirelli (Italy)	7
Sumitomo Dunlop (Japan)	7

*Includes car, truck, agricultural tyres and various subsidiaries, such as Uniroyal-Goodrich of US with Michelin, Firestone of US with Bridgestone, and General Tire (US) with Continental). Source: Nomura Research

The Italian company will abstain on this resolution, which needs a 75 per cent majority. Supported by Deutsche Bank, some German car companies and other shareholders, Continental would be able to block this one anyway.

But Pirelli's abstention will also reflect its unwillingness to appear hostile. It intends to pursue negotiations again after the meeting, hoping it has shown enough cards to make its merger proposition more attractive.

Unlike bids and mergers in the UK and the US, the Pirelli-Continental situation is governed by no clear cut rules. Thus, by Anglo-Saxon standards, the affair has been messy.

In Germany, the disclosure level for shareholdings is 25 per cent against only 3 per cent in the UK. One result of the imbroglio, therefore, is likely to be a total rethinking of the way in which mergers and acquisitions in Germany are regulated, or, as at present, unregulated.

That will be for later, though. Tomorrow, both Mr Urban and Mr Pirelli will see what shareholders think of the Italian company's approach and whether Continental deserves to stay independent. Keeping to his behind-the-scenes approach, Mr Pirelli will not be in Hanover. The Italian company will be represented by its German manager.

Pirelli has made much of the industrial logic it sees in a combination with Continental. Even Mr Urban has admitted there could be benefits to a merger, though he has denied the cost savings would be as large as Pirelli claims.

Moreover, he argues that the present rough conditions in the tyre sector, especially with important markets in recession, make this an inopportune time to merge. Continental's management is also opposed to the idea that it should cede control of a merged company to Pirelli. The German company is still earning money, though mostly these days from its non-tyre technical products unit, and is operating at full stretch. Mr Urban is confident Continental can survive and the EGM will not jeopardise its independence.

Pirelli's hope is that the EGM, which it would rather have avoided, will clear the air and allow it to present its case in a fresher atmosphere. How or whether it is prepared to amend its terms remains to be seen. Either way, tomorrow's gathering should mark a watershed in German corporate history. No longer can it be assumed merger decisions are worked out behind closed doors, with the untidy details kept out of the public gaze.

Small profit at National Semiconductor

NATIONAL Semiconductor, the US computer chip manufacturer, yesterday reported a small profit in the third quarter and said it expected to be profitable in the fourth quarter, Reuter reports.

The company added that orders in the third quarter ending on February 24 were up significantly from the second-quarter, but gave no figures.

National Semiconductor reported a third-quarter profit of $5m, or 2 cents a share, after a pre-tax gain of $21.1m from the sale of its Puyallup wafer fabrication plant and the reversal of previously-accrued restructuring charges that proved to be excess. In the same period last year, the group turned in a loss of $10.2m.

Sales for the quarter fell to $386.8m from $404.3m a year earlier. Last year's quarter included a post-tax gain of $400,000 on the sale of discontinued operations and a pre-tax $4.6m restructuring gain.

For the nine months, the company lost $157m after a $120.1m pre-tax restructuring charge, compared with a loss of $29.7m in the same period of the previous year after an $8.9m pre-tax restructuring gain and a $2.6m post tax gain on the sale of discontinued operations.

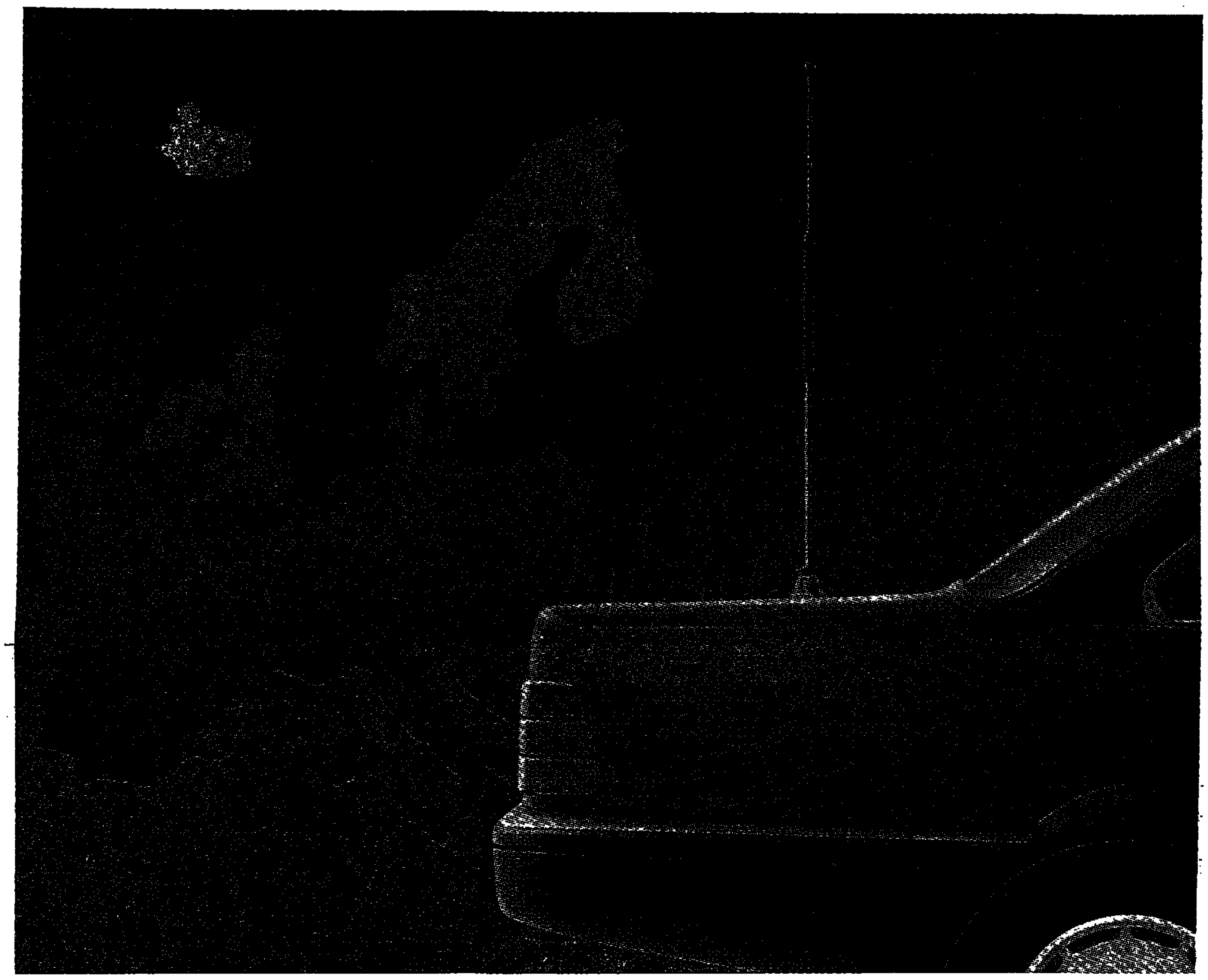
Italcable buys stake in US telecoms group

ITALCABLE, Italy's state-owned international telecommunications operator, has bought a 20 per cent stake in LCI Communications Holding, the US group, for L50bn (US$45m), Reuter reports.

The stake will be held by Italcable's US subsidiary Italcable USA. "The agreement with LCI forms part of the group's strategy to diversify and gain a greater international presence," Italcable said.

هذا من الأصل

SIEMENS



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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 11, 1991 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	53 6196	33.9606	38.8454
Albania (Lek)	9.9862	5.395	3.417	3.9084
Algeria (Dinar)	30.3425	16.3924	10.3823	11.8757
Andorra (Fr Fr)	9.9575	5.3795	3.4071	3.8972
(Sp Peseta)	181.90	98.2712	62.2412	71.1937
Angola (Kwanza)	57.7885	31 2201	19.7736	22.6178
Antigua (E Carr $)	5.03	2.7174	1.7211	1 9686
Argentina (Austral)	17256.2	9322 64	5904.6	6753.89
Aruba (Florin)	3.3321	1.79	1.1401	1.3041
Australia (Aus $)	2.4220	1 3084	0.8287	0.9479
Austria (Schilling)	20.4950	11.0723	7.0128	8 0215
Azores (Port Escudo)	253 20	136.791	86.6381	99.0998
Bahamas (Bahama $)	1.8510	1	0.6333	0 7244
Bahrain (Dinar)	0.6845	0.3698	0.2342	0 2679
Balearic Is (Sp Peseta)	181.90	98.2712	62.2412	71.1937
Bangladesh (Taka)	65.00	35.1161	22.2412	25.4403
Barbados (Barb $)	3.7440	2.0226	1.281	1.4653
Belgium (Belg Fr)	60.05	32.4419	20.5474	23.5029
Belize (B $)	3.7230	2.0113	1.2739	1.4571
Benin (CFA Fr)	497.88	268.979	170.361	194.865
Bermuda (Bermudian $)	1.8510	1	0.6333	0.7244
Bhutan (Ngultrum)	36.50	19.719	12.4893	14.2857
Bolivia (Boliviano)	6.4873	3.5047	2.2197	2.539
Botswana (Pula)	3.5657	1.9263	1.22	1 3955
Brazil (Cruzeiro)	420.72	227.293	143.959	164.665
Brunei (Brunei $)	3.2473	1.7543	1.1111	1.2709
Bulgaria (Lev)	39.870	21.5397	13.6424	15.6046
Burkino Faso (CFA Fr)	497.88	268.979	170.361	194.865
Burma (Kyat)	11.4572	6 1897	3.9203	4.4842
Burundi (Burundi Fr)	314.745	170.041	107.697	123.188
Cambodia (Riel)	856.29	462.609	292.999	335.143
Cameroon (CFA Fr)	497.88	268.979	170.361	194.865
Canada (Canadian $)	2.1400	1.1561	0.7322	0.8375
Canary Is (Sp Peseta)	181.90	98.2712	62.2412	71.1937
Cp. Verde (CV Escudo)	122.04	65.9319	41.7587	47.7651
Cayman Is (CI $)	1.5450	0.8346	0.5286	0.6046
Cent.Afr. Rep (CFA Fr)	497.88	268.979	170.361	194.865
Chad (CFA Fr)	497.88	268.979	170.361	194.865
Chile (Chilean Peso)	626.00	338.196	214.2	245.01
China (Renminbi Yuan)	9.7209	5.2517	3.3262	3.8046
Colombia (Col Peso)	1087.90	587.736	372.25	425.793
Comoros (CFA Fr)	497.88	268.979	170.361	194.865
Congo (Brazz) (CFA Fr)	497.88	268.979	170.361	194.865
Costa Rica (Colon)	209.977	113.44	71.8484	82.1827
Côte d'Ivoire (CFA Fr)	497.88	268.979	170.361	194.865
Cuba (Cuban Peso)	1.4715	0.7949	0.5035	0.5759
Cyprus (Cyprus £)	0.8275	0.447	0.2831	0.3238
Czechoslovakia (Koruna)	52.71c	28.4764	18.0359	20.6301
	52.97t	28.6169	18.1248	20.7318
Denmark (Danish Kroner)	11.2025	6.0521	3.8331	4.3845
Djibouti Rep (Djib Fr)	328.00	177.202	112.233	128.376
Dominica (E Carrib $)	5.03	2.7174	1.7211	1.9686
Dominican Rep (D Peso)	25.8749	13.9788	8.8536	10.1271
Ecuador (Sucre)	1818.45o	982.415	622.224	711.722
	1793.63a	969.006	613.731	702.008
Egypt (Egyptian £)	6.10	3.2955	2.0872	2.3874
El Salvador (Colon)	14.9105	8.0553	5.1019	5.8358
Equat'l Guinea (CFA Fr)	497.88	268.979	170.361	194.865
Ethiopia (Ethiopian Birr)	3.8186	2.0629	1.3066	1.4945
Falkland Is (Falk £)	1.00	0.5402	0.3421	0.3913
Faroe Is (Danish Kroner)	11.2025	6.0521	3.8331	4.3845
Fiji Is (Fiji $)	2.716	1.4673	0.9293	1.063
Finland (Markka)	7.0288	3.7972	2.405	2.7509
France (Fr)	9.9575	5.3795	3.4071	3.8972
Fr. Cty/Africa (CFA Fr)	497.88	268.979	170.361	194.865
Fr. Guiana (Local Fr)	9.9575	5.3795	3.4071	3.8972
Fr. Pacific Is (CFP Fr)	175.00	94.5434	59.8802	68.4931
Gabon (CFA Fr)	497.88	268.979	170.361	194.865
Gambia (Dalasi)	13.8142	7.4631	4.7268	5.4067
Germany (D-Mark)	2.9225	1.5788	1	1.1438

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Ghana (Cedi)	662.55	357 942	226.707	259 315
Gibraltar (Gib £)	1.00	0.5402	0 3421	0 3913
Greece (Drachma)	315 20	170 286	107 853	123.366
Greenland (Danish Krone)	11.2025	6 0521	3 8331	4.3845
Grenada (E Carr $)	5.03	2 7174	1 7211	1.9686
Guadaloupe (Local Fr)	9.9575	5 3795	3 4071	3 8972
Guam (US $)	1.8510	1	0.6333	0.7244
Guatemala (Quetzal)	9.4190	5.0886	3.2229	3.6864
Guinea (Fr)	1154.13a	623 517	394.912	451.714
	558.45n	301 702	191 086	218 571
Guinea-Bissau (Peso)	1209.98	653 69	414.022	473.573
Guyana (Guyanese $)	84.000	45.3808	28 7425	32 8767
Haiti (Goude)	9.3075u	5	3 1847	3 6428
Honduras (Lempira)	9 8490	5 3209	3.37	3.8547
Hong Kong (HK $)	14.4608	7 8124	4.948	5 6598
Hungary (Forint)	134 697	72.7698	46 0896	52 7189
Iceland (Icelandic Krona)	106.09	57 3149	36.3011	41 5225
India (Indian Rupee)	36 50	19 719	12.4893	14.2857
Indonesia (Rupiah)	3588.78	1938.83	1227.98	1404 61
Iran (Rial)	124.20	67 0988	42.4978	48.6105
Iraq (Iraqi Dinar)	0.5936	0 3206	0.2031	0 2323
Irish Rep (Punt)	1.0985	0 5934	0.3758	0 4299
Israel (Shekel)	4.0620(1)	2 1944	1.3899	1 5898
Italy (Lira)	2182.75	1179 23	746 878	854.305
Jamaica (Jamaican $)	14.6275	7.9024	5.0051	5.725
Japan (Yen)	255.50	138 033	87.4251	100
Jordan (Jordanian Dinar)	1 2025	0 6496	0 4114	0.4706
Kenya (Kenya Shilling)	47.41	25 6131	16 2224	18 5557
Kiribati (Australian $)	2.4220	1.3084	0 8287	0 9479
Korea North (Won)	1.8057	0 9755	0.6178	0 7067
Korea South (Won)	1346.68	727 542	460 797	527 076
Kuwait ‡ (Kuwaiti Dinar)				
Laos (New Kip)	1303.05	703 971	445.868	510
Lebanon (Lebanese £)	1798.50	971 637	615.398	703.914
Lesotho (Maluti)	4 8625	2 6269	1.6638	1 9031
Liberia (Liberian $)	1.8510	1	0 6333	0.7244
Libya (Libyan Dinar)	0.5110	0 276	0.1748	0.2
Liechenstein (Swiss Fr)	2 5375	1 3708	0.8682	0.9931
Luxembourg (Lux Fr)	60 05	32.4419	20 5474	23.5029
Macao (Pataca)	14.9845	8.0953	5.1272	5.8647
Madagascar (MG Fr)	2921.0	1578.07	999.487	1143 25
Madeira (Port Escudo)	253.20	136.791	86.6381	99.0998
Malawi (Kwacha)	4.9199	2.6579	1.6834	1.9255
Malaysia (Ringgit)	5.0770	2.7428	1.7372	1.987
Maldive Is (Rufiya)	17.8667	9.6524	6.1134	6.9928
Mali Rep (CFA Fr)	497.88	268.979	170.361	194.865
Malta (Maltese £)	0.5765	0.3114	0.1972	0.2256
Martinique (Local Fr)	9.9575	5.3795	3.4071	3 8972
Mauritania (Ouguiya)	143.242	77.3862	49.0135	56.0634
Mauritius (Maur Rupee)	26.75	14.4516	9.1531	10.4696
Mexico (Mexican Peso)	5523.07e	2983.83	1889.84	2161.67
	5539.08d	2992.48	1895.32	2167.94
Miquelon (Local Fr)	9.9575	5.3795	3.4071	3.8972
Monaco (French Fr)	9.9575	5.3795	3 4071	3.8972
Mongolia (Tugrik)	6.2463	3.3745	2 1373	2.4447
Montserrat (E Carr $)	5.03	2.7174	1.7211	1.9686
Morocco (Dirham)	14.6150	7.8957	5.0008	5.7201
Mozambique (Metical)	1978.92	1069.11	677.133	774.528
Namibia (S A Rand)	4.8625	2.6269	1.6638	1.9031
Nauru Is (Australian $)	2.4220	1.3084	0.8287	0.9479
Nepal (Nepalese Rupee)	56.78	30.6753	19.4285	22.223
Netherlands (Guilder)	3.2950	1 7801	1.1274	1.2896
N'nd Antilles (A/Guilder)	3.3321	1.8001	1.1401	1.3041
New Zealand (NZ $)	3.1155	1.6831	1.066	1.2193
Nicaragua (Gold Cordoba)	9.3075(2)	5.0283	3.1847	3.6428
Niger Rep (CFA Fr)	497.88	268.979	170.361	194.865
Nigeria (Naira)	18.1495	9.8052	6.2102	7.1035
Norway (Nor. Krone)	11.3875	6.152	3.8964	4.4569
Oman (Rial Omani)	0.7139	0.3856	0.2442	0.2794

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Pakistan (Pak Rupee)	41.50	22.4203	14.2001	16.2426
Panama (Balboa)	1 8510	1	0.6333	0.7244
Papua New Guinea (Kina)	1 7730	0.9578	0.6066	0.6939
Paraguay (Guarani)	2453.0	1325.23	839.35	960.078
Peru (New Sol)	1.0424	0.5631	0.3566	0.4079
Philippines (Peso)	50 00	27.0124	17.1086	19.5694
Pitcairn Is (£ Sterling)	1.00	0.5402	0.3421	0.3913
(NZ $)	3.1155	1.6831	1.066	1.2193
Poland (Zloty)	17861.0	9649.38	6111.55	6990.61
Portugal (Escudo)	253.20	136.791	86.6381	99.0998
Puerto Rico (US $)	1.8510	1	0.6333	0.7244
Qatar (Riyal)	6.7549	3 6493	2.3113	2.6437
Reunion Is. de la (F/Fr)	9.9575	5.3795	3.4071	3.8972
Romania (Leu)	66.98	36.1858	22.9187	26.2152
Rwanda (Fr)	230.062	124.291	78.7209	90.0438
St Christopher (E Carr $)	5.03	2.7174	1.7211	1.9686
St Helena (£)	1.00	0.5402	0.3421	0.3913
St Lucia (E Carr $)	5.03	2.7174	1.7211	1.9686
St Pierre (French Fr)	9 9575	5.3795	3.4071	3.8972
St Vincent (E Carr $)	5 03	2.7174	1.7211	1.9686
San Marino (Italian Lira)	2182.75	1179.23	746.878	854.305
Sao Tome (Dobra)	280.53	151.556	95.9897	109.796
Saudi Arabia (Riyal)	6.9580	3.759	2.3808	2.7232
Senegal (CFA Fr)	497.88	268.979	170.361	194.865
Seychelles (Rupee)	10.15	5.4835	3.473	3.9726
Sierra Leone (Leone)	345.0	186.386	118.05	135.029
Singapore ($)	3.2473	1.7543	1.1111	1.2709
Solomon Is ($)	4.9140	2.6547	1.6814	1.9232
Somali Rep (Shilling)	4877.13	2634.86	1668.82	1908.86
South Africa (Rand)	4 8625	2.6269	1.6638	1.9031
	5.9858	3.2338	2.0481	2.3427
Spain (Peseta)	181.90	98 2712	62.2412	71.1937
Spanish Ports in N Africa (Sp Peseta)	181.90	98.2712	62.2412	71.1937
Sri Lanka (Rupee)	75.00	40.5186	25.6629	29.3542
Sudan Rep (£)	8.38o	4.5272	2.8674	3.2798
	21.31f	11.5126	7.2917	8.3405
Surinam (Guilder)	3.3228	1.7951	1.1369	1.3005
Swaziland (Lilangeni)	4.8625	2.6269	1.6638	1.9031
Sweden (Krona)	10.7600	5.813	3.6817	4.2113
Switzerland (Fr)	2.5375	1.3708	0.8682	0.9931
Syria (£)	39.09	21.1183	13.3755	15.2994
Taiwan ($)	50.35	27.2015	17.2284	19.7064
Tanzania (Shilling)	374.625	202.391	128.186	146.624
Thailand (Baht)	47.50	25.6618	16.2532	18.5909
Togo Rep (CFA Fr)	497.88	268.979	170.361	194.865
Tonga Is (Pa Anga)	2.4220	1.3084	0.8287	0.9479
Trinidad/Tobago ($)	7.9114	4.2741	2.707	3.0964
Tunisia (Dinar)	1.6296	0.8803	0.5576	0.6378
Turkey (Lira)	6420.50	3468.67	2196.92	2512.92
Turks & Caicos (US $)	1.8510	1	0.6333	0.7244
Tuvalu (Australian $)	2.4220	1.3084	0.8287	0.9479
Uganda (New Shilling)	1131.70	611.399	387.237	442.935
U A E (Dirham)	6.8153	3.6819	2.332	2.6674
United Kingdom (£)	1.00	0.5402	0.3421	0.3913
United States (US $)	1.8510	1	0.6333	0.7244
Uruguay (Peso)	3206.50	1732.31	1097.18	1254.99
USSR (Rouble)	1.0672	0.5765	0.3651	0.4176
	3.2016	1.7296	1.0955	1.253
Vanuatu (Vatu)	199.00	107.509	68.0923	77.8864
Vatican (Lira)	2182.75	1179.23	746.878	854.305
Venezuela (Bolivar)	101.35	54.7541	34.6792	39.6673
Vietnam (Dong)	13495.88	7291.13	4617.92	5282.14
Virgin Is-British (US $)	1.8510	1	0.6333	0.7244
Virgin Is-US (US $)	1.8510	1	0.6333	0.7244
Western Samoa (Tala)	4.3140	2.3306	1.4761	1.6884
Yemen (Rial)	22.4311	12.1183	7.6753	8.7792
Yemen PDR (Dinar)	0.8675	0.4686	0.2968	0.3395
Yugoslavia (Dinar)	26.249	14.1809	8.9816	10.2735
Zaire Rep (Zaire)	6335.0	3422.47	2167.66	2479.45
Zambia (Kwacha)	95.495	51.591	32.6757	37.3757
Zimbabwe ($)	5.2606	2.842	1.8	2.0589

Special Drawing Rights March 8,1991 United Kingdom £0.744846 United States $1.40031 Germany D Mark 2.17958 Japan Yen190.932
European Currency Unit Rates March 11,1991 United Kingdom £0.701025 United States $1.30440 Germany D Mark 2.05156 Japan Yen179.576

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate, (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;‡ Kuwait Dinar Unavailable
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, March 11, 1991
(1)Israeli Shekel Devalued 6 25% March 11.(2)Nicaragua New Currency named Gold Cordoba March 4.

INTERNATIONAL CAPITAL MARKETS

Treasuries move higher after Fed signal on easing

By Karen Zagor in New York and Tracy Corrigan in London

US treasuries moved narrowly higher yesterday morning after the Federal Reserve sent another clear signal that it had eased monetary policy.

At mid-session, the treasury's bellwether 30-year bond was ⅛ higher at 95⅞, yielding 8.29 per cent. Shorter-dated maturities gained about ⅛.

The Federal Reserve seemed to confirm it had eased monetary policy when it added liquidity to the system by arranging $2bn in customer repurchase agreements when Fed funds were trading at 6⅛ per cent.

On Friday, the Fed indicated that it had slashed its target for the rate by 25 basis points to 6 per cent by executing weekend system repurchase agreements when Fed funds were trading at 6¼ per cent. The Fed's move followed a weak set of employment figures for February. The perceived target for Fed funds is now the same as the discount rate, and many analysts believe this will prompt the Fed to cut the discount rate.

The Fed has been trying to encourage banks to borrow at the discount window and, with funds available in the market at the same rates as from the Fed, banks have no incentive to borrow from the window.

Others, however, believe that the Fed will wait before taking the more aggressive move of cutting the discount rate.

■BUND prices were weaker and the bund future on Liffe ended at 85.63, down from Friday's close of 85.91, having opened at 85.69 yesterday.

Medium-dated bunds now offer a yield pick up of around ¼ point above US treasuries, and with a further Bundesbank rate hike now partially discounted (especially given the strength of the dollar against the D-Mark yesterday), there is little to support the short end of the market, dealers said.

German inflation rate figures are due to be released later this week.

Chase Investment Bank expects a 0.3 per cent rise in February to give a year-on-year figure of of 2.6 per cent.

With latest French data, due out on Thursday, expected to show thr French inflation rate holding steady around 3½ per cent, a cross-over between France and Germany is widely expected later this year.

This is helping to accelerate the narrowing of the yield spread between the French and German bond markets, which has tightened to about 60 basis points, from 130 basis points last August.

However, the relative weakness of the French franc within the exchange rate mechanism is reducing the likelihood of French interest rates falling.

■UK GILT prices ended about ¼ point lower, losing slight earlier gains.

The market initially ignored the weaker opening of the bund market, in the wake of the slide in US treasury prices late on Friday.

But the gilts market was weighed down by the onslaught of £450m of sterling Eurobonds, including a £350m deal for British Gas. Prices were further depressed by hedging activity, as dealers sold gilts to hedge positions in the new issues market.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-31	+01/32	10.61	10.84	10.84
		9.000	03/00	93-30	-01/32	10.04	10.22	10.04
		9.000	10/08	93-08	-07/32	9.82	9.92	9.79
US TREASURY *		7.750	02/01	97-16	+03/32	8.12	8.10	7.81
		7.875	02/21	95-10	+03/32	8.30	8.27	8.00
JAPAN	No 119	4.800	6/99	88.1196	-0.251	7.07	7.03	6.66
	No 129	6.400	03/00	96.5061	-0.083	6.67	6.68	6.39
GERMANY		9.000	01/01	104.3000	-0.250	8.33	8.40	8.47
FRANCE	BTAN	9.000	02/96	99.6030	+0.114	9.09	9.28	9.49
	OAT	9.500	01/01	103.5200	+0.020	8.94	9.10	9.16
CANADA *		9.750	06/01	101.3250	+0.075	9.54	9.70	9.80
NETHERLANDS		8.500	03/01	99.2400	-0.360	8.62	8.67	8.58
AUSTRALIA		13.000	07/00	108.2386	-0.660	11.53	11.54	11.34
BELGIUM		10.000	08/00	105.1500	-0.100	9.14	9.08	9.06

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

MasterCard aims to catch up with Visa

By David Barchard

MASTERCARD International, the smaller of the world's two main bank card payment systems, has announced a set of changes apparently aimed at enabling it to catch up with its rival, Visa International.

Mr Alex "Pete" Hart, president of MasterCard International, said the organisation aims to be the world's best consumer payment services franchise. It has been undergoing far-reaching changes since Mr Hart took over in late 1988, when the organisation had internal difficulties. Visa has 68 per cent of the credit card market in the US and slightly more in the rest of the world.

Mr Hart said MasterCard has established a network of regions, including a separate US region. One of the fastest growing regions is Asia and the Pacific, where sales were up 25 per cent last year and there are 30m MasterCards.

Last year, the volume of sales made through the MasterCard system outside the US overtook US sales for the first time, with sales reaching $280bn, 22 per cent up on 1989.

MasterCard is also upgrading its visibility in European markets. It says it is strengthening its links with affiliated card brandings such as Access and Eurocard.

In the UK, MasterCard has begun to appear as a separate credit card brand.

In Europe MasterCard operates mainly through the Eurocard branding which is controlled by the large German banks.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.25 pm on March 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅛	101⅝	+⅛	8.10	BAYERISCHE VEREINSBNT 7 94 LFr	600	92⅞	93⅜	[illegible]	[illegible]
ALBERTA PROVINCE 9 3/8 95	600	103¾	103⅞	[illegible]	8.44	KREDIETCORP 7 93 LFr	1000	94⅞	95⅜	[illegible]	[illegible]
AUSTRIA 8 1/2 00	400	98⅜	98⅞	[illegible]	8.76	WORLD BANK 8 96 LFr	1000	95	96	[illegible]	[illegible]
BANK OF TOKYO 8 3/8 96	100	98⅛	98⅝	[illegible]	8.81	ALBERTA PROVINCE 10 92 C$	500	99⅞	100	[illegible]	[illegible]
BELGIUM 9 1/8 92	400	101½	102	[illegible]	7.97	BCE INC 9 5/8 93 C$	300	98⅜	99⅛	[illegible]	[illegible]
BFCE 7 3/4 97	150	97⅛	97⅝	[illegible]	8.38	BELL CANADA 10 5/8 99 C$	150	101⅛	101⅝	[illegible]	[illegible]

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هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

British Gas provides stiff test for sterling sector

By Simon London

BRITISH Gas yesterday provided a stiff test of demand for sterling bonds in the international bond market, launching the largest fixed-rate sterling bond issue for two years at a pricing regarded as tight by even the participants.

The £350m 10-year deal was lead managed by Credit Suisse First Boston, which said the transaction was the biggest new bond issue by a corporate borrower in any currency sector of the Euromarket.

The paper carries a coupon of 10⅞ per cent and was re-offered to investors at the fixed price of 99.58, to yield 51 basis points more than UK government's 10 per cent gilt maturing in 2001.

Participants in the deal regarded the pricing as aggressive and reported little demand from UK institutional investors. For example, at launch the bonds offered a yield pick-up of 15 basis points over comparable World Bank paper.

However, the lead manager took about £260m of paper on its own book, having identified pockets of demand from overseas investors for sterling-denominated paper. The deal creates a benchmark corporate bond at the 10-year maturity.

Co-lead managers said they expected the spread over gilts to widen once the deal is free to trade, but that the deal should remain profitable for underwriters.

INTERNATIONAL BONDS

The lead manager kept the deal at the fixed re-offer price throughout yesterday and said the issue would be freed to trade today.

Also in the sterling sector, Nationwide Anglia Building Society came with a £100m six-year issue offering a fixed coupon of 11¼ per cent. At the fixed re-offer price of 99.70 the paper offers a yield spread of 91 basis points over the comparable gilt.

Last month, Leeds Permanent Building Society came with a £100m five-year deal. The Leeds paper was yesterday trading at 98 basis points over gilts.

The parlous state of the sterling floating-rate note market has led building societies to borrow at a fixed rate and swap into floating-rate funding. Building societies are also issuing fixed-rate paper to fund the increasing number of fixed-rate mortgages.

Telecom Corporation of New Zealand added NZ$100m of new paper to its outstanding NZ$50m 14 per cent issue maturing 1993 – something of a benchmark in this sector of small, retail targeted deals.

The new two-year bonds were launched via Merrill Lynch at a fixed re-offer of 102⅞. At this level the yield is 12.16 per cent, a pick-up of 53 basis points over the outstanding paper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
British Gas(a)†	350	10⅞	99.58	2001	35/15bp	CSFB
N'wide.Anglia Buildg.Soc.(a)†	100	11¼	99.70	1997	35/15bp	UBS Phillips & Drew
US DOLLARS						
Fuji Int.Fin.(Aust.)(b)‡†	60	(b)	102	2001	2/1½	Fuji Int.Finance
Fuji Int.Fin.(Aust.)(c)†	50	6⅞	102	2001	2/1½	Fuji Int.Finance
CANADIAN DOLLARS						
ABB Finance Inc.(a)†	125	10½	101.175	1994	1⅜/1.275	UBS Phillips & Drew
NEW ZEALAND DOLLARS						
Telecom Corp of NZ(d)†	100	14	103⅞	1993	1⅜	Merrill Lynch Int.
D-MARKS						
Hamburgische L'bank(e)‡†	100	(e)	100	2001	30/15bp	Trinkaus & Burkhardt
LIRE						
O'chische Postsparkasse(a)†	120bn	12⅝	101½	1994	1⅝/⅞	Bca. Comm.Italiana
YEN						
Hankyu D.Stores Europe(a)†	13bn	7.30	101¼	1998	1⅞/1¼	Daiwa Europe

**Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable at par on 8/3/94. Coupon pays 3-month Libor + 50bp for first 3 years, then fixed at 9.35%, thereafter. c) Callable at par on 8/3/94. d) Fungible with existing NZ$50mn deal, from 17 May. Non-callable. e) Coupon pays 10% for first 2 years, then 15¼% - 6-month Libor, thereafter. Non-callable.

LTOM to launch power shares options

By Jim McCallum

THE London Traded Options Market is to introduce options in National Power to coincide with the launch today of the privatised power generator on the stock market.

Options will be restricted to two forward months, June and September. Mr Tony de Guingand, managing director of the London Traded Options Market, said two contracts may added to provide a full yearly cycle.

He expected more than 5,000 National Power options to change hands today. Dealing starts at 2.30pm. There will be no options on PowerGen, the other privatised generator.

● Margin rates on the London International Financial Futures Exchange were reduced by about half from yesterday, reflecting the decline in volatility since the end of the Gulf war.

Liffe assigns brokers to JGB futures contracts

By Tracy Corrigan

THE London International Financial Futures Exchange is assigning designated brokers to its Japanese government bond futures contract to boost the contract's liquidity when it is relaunched on April 3.

The contract has been designed to facilitate the daily roll-over of positions into the Tokyo Stock Exchange. Although it is not fungible, Liffe's aim was to provide a "seamless contract", according to Mr Michael Jenkins, chief executive. Open positions on Liffe at the close of trading will be closed out automatically at the first subsequent opening price on the TSE.

The contract will be traded exclusively on Liffe's Automated Pit Trading (APT) system, from 7am to 3pm.

Liffe's JGB future, launched in July 1987, had an average daily turnover last year of 183, the lowest of any Liffe futures contract. Average volume of the TSE's JGB contract is around 65,000 contracts. These figures partly reflect the low volume traded in the cash market outside Japan.

The new contract will effectively provide after-hours trading for Japanese market participants, according to dealers. The product will be launched two days after the start of British Summer Time: London will open as Tokyo closes.

It is hoped that lower commissions in London may attract European business, but any open positions in London rolled over into Tokyo would be charged TSE commissions, and proprietary traders may be loath to participate unless liquidity improves.

Dealers say the success of the contract will depend on the attitude of head offices of the banks and securities houses which dominate the market. The predominantly Japanese group of brokers consists of Bank of Tokyo Capital Markets, Crédit Lyonnais Rouse, Daiwa Europe, Fuji International, IBJ International, Kankaku (Europe), Mitsubishi Finance, New Japan Securities, Nikko Securities, Sanwa International, Tokai International and Yamaichi International.

Banks reassess customer relations

By Stephen Fidler, Euromarkets Correspondent

MORE than 50 per cent of large companies aim to raise their main financings, carry out their financial dealings and buy hedging products with the same group of banks.

But most banks fail to manage this relationship adequately and lose business as a result.

These are among the main conclusions of a survey, published this week, of 30 UK-based, mainly multinational, corporations – with a combined annual turnover of £70bn – by the capital markets group of Price Waterhouse.

Relationships between companies and their bankers have assumed greater importance in the UK over the past year as banking credit has become less plentiful.

In a foreword to the report, Mr Paul Spencer, group treasurer of Hanson Trust, described the 1980s as a damaging period when "corporates became too transactions orientated".

He added: "I do perceive signs that the pendulum is swinging back, but in some cases for the wrong reasons. Companies not now finding it easy to raise finance are beginning to realise the benefits of a relationship."

Of the companies questioned, 95 per cent attempt to raise their main financings from a core group of relationship banks.

Around 65 per cent also adopt such an approach for both financing and operational dealing, while more than half also only buy hedging products from this group of banks.

The survey suggested that those companies which adopted a relationship approach had on average 17 banks with which they would be willing to do business, and regularly used about 65 per cent of them.

Some corporate treasurers, however, still exercised a transactional approach to banking. These companies – mostly those with strong cash positions and generally little need to borrow – would have a list of about 60 banks and use perhaps 15 per cent of them.

Apart from competitive pricing, the other main factors considered by companies in choosing relationship banks were high quality personnel, an understanding of the company, and reputation and expertise.

Bank advertising was not said to be effective, but speed of decision-making was critical. High bank credit ratings were important for hedging products and dealing transactions.

The survey showed that an increasing number of companies now made formal and sophisticated reviews of their banking relationships. It identified several factors as likely to lead to the dropping of an institution as a relationship bank. These include any discontinuation of a financing facility, such as a credit line, consistently poor quotes for business and significant errors in a bank's office.

"A fall in a bank's credit rating is perceived, regardless of the corporate's banking strategy, to be a significant force for change in all product areas", the survey says.

A deterioration in relationships at an operational level was seen as a very important factor. By contrast, where senior management of a bank changed, there was likely to be little impact on the relationship.

According to Mr Paul Reyniers, partner in charge of Price Waterhouse's financial markets division, the survey suggested there was a danger of banks falling behind in sophistication in relation to their corporate customers. One problem was that account officers, who are mainly responsible for corporate relationships, had insufficient authority in the majority of banks. Banks should place more emphasis on the role and quality of the account officer, the report suggests.

Other recommendations included a more critical assessment of their marketing techniques. Visits to corporate officers and management training seminars were both seen as the most effective marketing activities by banks, and the areas where banks placed inadequate emphasis. Education and technical support to companies should be better, while the training of their own staff should be improved.

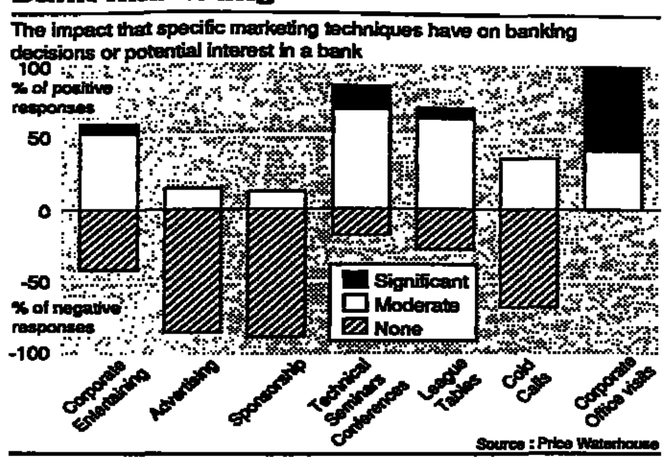
Banks were often weak in following up potential business, and should establish internal mechanisms to make sure that all potential business opportunities were followed up. Banks were also recommended to set up formal procedures for reviewing their corporate relationships, in the same way that companies reviewed their bank relationships.

Banks must also improve their understanding of corporate operations and treasury issues, the survey said. Companies were also unanimous in a desire for the bank to provide a single point of contact to co-ordinate the activities of the bank with the customer.

Asked about the quality of banks' communication, the survey suggested the US and UK banks were strong in this area, although "certain US banks still attempt to sell rather than meet the real need". Japanese banks were criticised for vesting insufficient authority in senior local staff, which meant they had to refer many decisions back to Tokyo. Continental European banks were also criticised by some corporates for being too reactive in dealing with corporate customers.

(Winning Corporate Business. Published by Price Waterhouse Financial Markets Division, Milton Gate, 1 Moor Lane, London EC2Y 9PB. 52pp. Price: £350)

Bank marketing



SES issues guidelines on foreign listings

By Joyce Quek in Singapore

THE Stock Exchange of Singapore (SES) has issued guidelines for foreign companies seeking a listing in Singapore.

● The public offer must be made in relatively large denominations, so as to mainly attract institutional investors.

● The SES will scrutinise standards of accounting and disclosure: companies' track records and prospects; and location of management.

● Applications for listings will be considered on a case-by-case basis, but the minimum issue price must be US$2.

● The listings must be quoted in US dollars or other foreign currency. Subsequent share issues must also be in foreign currencies.

● After listing, companies may apply to the SES to convert their quotations to Singapore dollars once they have built up substantive local businesses and managerial personnel.

The publication of the guidelines coincides with a public offer of shares from a Hong Kong company, GP Batteries International (GPBI), a supplier of specialised batteries.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday March 11 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Mar 8 Index No.	Thu Mar 7 Index No.	Wed Mar 6 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (188)	869.42	+0.2	12.12	5.53	10.06	3.33	867.57	866.08	872.60	848.91
2 Building Materials (24)	1161.73	+0.1	12.19	5.25	10.09	1.12	1160.22	1159.92	1165.52	1031.75
3 Contracting, Construction (31)	1410.42	+0.5	12.46	5.57	10.37	5.42	1403.41	1402.14	1409.40	1396.75
4 Electricals (10)	2331.45	....	11.68	5.72	10.45	2.49	2330.56	2342.41	2396.19	2395.69
5 Electronics (26)	1899.06	+0.8	8.32	4.68	15.99	2.04	1883.54	1867.55	1845.29	1831.10
6 Engineering-Aerospace (8)	445.94	−1.8	15.83	5.58	7.68	8.86	454.12	444.27	466.48	422.38
7 Engineering-General (47)	455.49	+0.8	13.09	5.71	9.17	2.48	451.88	448.36	449.16	462.26
8 Metals and Metal Forming (8)	491.73	+1.3	18.55	7.02	6.65	0.59	485.25	485.06	488.25	470.53
9 Motors (13)	356.08	−0.7	12.66	6.73	9.38	3.06	358.47	354.59	359.25	353.18
10 Other Industrial Materials (21)	1493.56	+0.1	10.91	5.44	10.60	3.93	1491.73	1505.20	1517.07	1553.53
21 CONSUMER GROUP (182)	1413.63	+1.0	8.71	3.73	14.26	6.02	1400.26	1390.74	1400.70	1200.99
22 Brewers and Distillers (22)	1765.90	+1.0	9.07	3.54	13.59	7.47	1749.02	1723.71	1725.99	1389.65
25 Food Manufacturing (20)	1165.12	+0.1	9.86	4.14	12.51	4.97	1163.38	1159.58	1160.50	1058.07
26 Food Retailing (16)	2611.04	+1.2	8.11	2.97	16.14	3.15	2579.17	2548.27	2561.90	2215.11
27 Health and Household (21)	3035.80	+0.6	6.70	2.76	17.84	15.27	3018.73	3021.12	3078.53	2413.88
29 Hotels and Leisure (22)	1370.65	+1.2	9.98	5.03	11.81	9.06	1353.96	1348.57	1383.25	1429.23
30 Media (25)	1460.33	+2.4	10.00	4.61	12.62	13.27	1426.65	1412.46	1401.60	0.00
31 Packaging & Paper (11)	658.12	+0.7	7.99	5.23	15.33	0.30	653.65	651.03	653.76	554.65
34 Stores (34)	892.40	+1.1	9.52	4.09	13.67	1.76	882.51	874.31	877.22	746.33
35 Textiles (11)	540.67	+1.6	9.86	5.94	13.06	2.61	531.92	531.65	525.14	496.31
40 OTHER GROUPS (110)	1191.00	+0.4	10.60	5.03	11.46	5.28	1185.67	1182.15	1196.69	1135.28
41 Business Services (12)	1183.11	+0.9	10.56	4.57	11.51	0.26	1172.90	1158.13	1159.19	1545.22
42 Chemicals (21)	1248.10	−2.0	9.77	5.72	12.46	20.53	1273.86	1264.62	1292.04	1171.25
43 Conglomerates (11)	1551.65	+1.3	11.00	6.64	10.84	6.83	1531.80	1528.93	1554.40	1596.70
44 Transport (15)	2181.14	+0.3	11.98	4.67	10.29	3.21	2174.03	2188.40	2223.12	2201.12
45 Electricity (12)	1170.03	+1.9	10.54	6.02	11.45	0.00	1148.62	1148.78	1149.27	0.00
46 Telephone Networks (3)	1356.83	+0.9	9.86	3.73	13.20	0.00	1345.15	1338.54	1359.96	1133.67
47 Water (10)	2500.00	+0.5	13.56	5.60	8.24	39.69	2486.83	2477.08	2473.04	1932.86
48 Miscellaneous (26)	1900.72	+0.5	9.94	4.80	11.71	1.50	1891.14	1890.13	1901.91	1853.51
49 INDUSTRIAL GROUP (480)	1214.82	+0.6	10.02	4.52	12.24	5.13	1207.12	1201.68	1212.33	1106.49
51 Oil & Gas (20)	2424.15	+0.1	10.69	5.48	12.25	36.83	2422.25	2380.61	2362.72	2327.30
59 500 SHARE INDEX (500)	1316.73	+0.6	10.11	4.65	12.24	7.51	1309.37	1301.21	1309.88	1207.74
61 FINANCIAL GROUP (98)	826.41	−0.6	–	5.72	–	10.63	831.59	822.40	831.90	786.58
62 Banks (9)	903.78	−2.0	11.73	6.25	11.76	21.35	922.18	908.73	924.63	857.54
65 Insurance (Life) (7)	1474.16	+0.4	–	5.21	–	0.00	1468.15	1460.39	1468.22	1279.14
66 Insurance (Composite) (6)	715.91	−0.8	–	6.04	–	7.78	721.46	709.18	712.79	647.65
67 Insurance (Brokers) (8)	1114.11	+0.5	6.64	5.79	19.74	18.74	1108.04	1095.59	1103.20	1047.40
68 Merchant Banks (7)	438.48	+2.4	–	4.65	–	0.00	428.05	420.07	427.82	466.28
69 Property (41)	1052.27	+0.8	6.32	4.48	21.68	1.60	1044.39	1043.73	1054.81	1072.31
70 Other Financial (20)	289.78	+0.9	9.19	6.55	13.52	2.91	287.29	286.31	287.23	314.79
71 Investment Trusts (69)	1209.75	+1.1	–	3.38	–	8.37	1196.84	1186.33	1196.49	1148.75
99 ALL-SHARE INDEX (667)	1196.98	+0.4	–	4.77	–	8.09	1192.13	1183.79	1192.56	1105.46

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Year ago
FT-SE 100 SHARE INDEX‡	2459.1	+4.1	2479.8	2447.8	2455.0	2437.7	2459.9	2420.1	2382.9	2222.8

FIXED INTEREST

PRICE INDICES	Mon Mar 11	Day's change %	Fri Mar 8	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.13	+0.15	121.28	1.79	2.26
2 5–15 years (31)	132.07	+0.05	132.01	2.10	2.69
3 Over 15 years (8)	138.08	−0.05	138.15	0.42	4.05
4 Irredeemables (6)	153.99	+0.12	153.81	2.56	1.50
5 All stocks (73)	130.76	+0.07	130.79	1.89	2.67
Index-Linked					
6 Up to 5 years (2)	158.73	+0.02	158.70	0.33	1.03
7 Over 5 years (10)	145.00	+0.09	145.14	0.40	1.16
8 All stocks (12)	145.91	+0.08	146.04	0.40	1.15
9 Debs & Loans (54)	109.64	+0.11	110.29	1.88	2.43

AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 11	Fri Mar 8	Year ago (approx.)
British Government				
1 Low	5 years	9.30	9.33	11.58
2 Coupons	15 years	9.61	9.60	11.25
3 (0%-7¾%)	25 years	9.78	9.76	11.14
4 Medium	5 years	10.11	10.15	12.89
5 Coupons	15 years	10.03	10.02	11.71
6 (8%-10¾%)	25 years	9.98	9.95	11.28
7 High	5 years	10.27	10.31	12.99
8 Coupons	15 years	10.20	10.19	12.00
9 (11%-)	25 years	10.14	10.11	11.51
10 Irredeemables	†	9.99	10.00	11.14
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.74	3.74	4.71
12 Inflation rate 5%	Over 5 yrs.	4.14	4.14	4.12
13 Inflation rate 10%	Up to 5 yrs.	2.35	2.34	3.80
14 Inflation rate 10%	Over 5 yrs.	3.96	3.97	3.95
15 Debs &	5 years	11.87	11.86	13.93
16 Loans	15 years	11.62	11.62	13.21
17	25 years	11.40	11.41	13.20

‡Opening index 2447.8; 9 am 2463.5; 10 am 2475.4; 11 am 2474.1; Noon 2467.2; 1 pm 2467.0; 2 pm 2468.3; 2.30 pm 2468.7; 3 pm 2467.2; 4.10 pm 2458.7; (a) 10.15am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE (includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	16	9
Corporations, Dominion and Foreign Bonds	3	5	13
Industrials	663	156	734
Financial and Properties	349	50	348
Oils	35	12	45
Plantations	2	0	8
Mines	75	12	76
Others	80	28	48
Totals	1,268	279	1,281

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P	–	120	102	East German Inv. Tst.	119	+1	–	–	–	–
$100	F.P.	–	95	58	♦Eidos 10p	63		–	–	–	–
75	F.P.	–	75	65	Etonbrook Props.	67		–	–	–	–
–	F.P.	–	18	13	♦Europe Energy 5p	14		–	–	–	–
–	F.P.	–	4025	3475	Eurotunnel Fndr. Wrrnts	3925		–	–	–	–
–	F.P.	–	155	90	JF Pacific (New Wrrnts)	155	+10	–	–	–	–
–	F.P.	–	8	6	MMI Warrants	7½		–	–	–	–
50	F.P.	–	45	43	Trio Inv. Trust	44		–	–	–	–
–	F.P	–	9	6	Do. Warrants	7		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+ or -
-	-	-	86	68	Brent Walker Capital 13pc Cv Cap Bd	80	-3
100p	F.P	-	111p	105p	Br. Land (Jrsy) 8⅝pc Cv.Cap.Bds 2011	111p	+1
100p	F.P	-	115p	93p	Evered 7.25p (Net) Cnv. Red. Prf.	115p	+2
‡	P/P	29/11	38p	30p	‡Greenacre Group Cv. Rd Prf. 70p	30p	
35	-	-	35½	29½	Grovewood Securities 8pc Cv Ln 2000	34½	
100p	F.P	-	100p	80p	Lilleshall 9pc Cv. Rd Prf. £1	100p	+1
100p	F.P	-	108p	96p	TT Group 10⅞pc Cm. Red. Prf 1997	108p	+2
100p	F.P	-	137p	97p	Worcester Cm Rd Cv Pf	137p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
5	Nil	22/4	3pm	2pm	Alpine Group 2½p	2½pm	
44	Nil	–	10pm	6pm	Baynes (Charles) 10p	9½pm	
136	Nil	–	29pm	25pm	Community Hospitals £1	29pm	
10	Nil	–	3pm	2pm	♦Halls Homes Gdns 5p	2pm	
245	Nil	–	45pm	24pm	Heywood Williams	35pm	-2
12½	Nil	11/3	1¼pm	1¼pm	Ptarmigan	1¼pm	
50	Nil	19/4	20pm	12pm	Resort Hotels 50p	19pm	+3
32	Nil	–	19pm	12pm	Wickes	19pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings March 4
● Last Dealings March 15
● Last Declarations June 13
● For settlement June 24

For rate indications see end of London Share Service

Calls in Allied Irish Bks., Amstrad, Astec BSR, Aviva, Barratt Dev., Brent Walker, Cannon St. Inv., Conroy, Control Secs., Doctus, Eurotunnel Wts., Ford Sellar, Gaelic Res., Goodwin, Kleinwort Benson, LIT, Midland Bk., Monument Oil, More O'Ferrall, Next, Oceonics, Oliver Res., PFG Hodgson, Plaxton, Proteus, Rentokil, Rosehaugh, S & U Stores, St. Ives, Stakis, Sterling Tst., Tullow Oil, Tuskar Res. and Unigroup. Puts in Egerton Tst., Flexitech, Rentokil and Saatchi.

LONDON TRADED OPTIONS

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Alld Lyons (*545)	460	92	95	105	1½	5	8
	500	55	62	75	5	14	17
	550	19	31	46	22	35	38
ASDA (*139)	120	20	27	28	1	3	5
	130	12	20	21	3	5½	8
	140	6½	12	16	7	10	13
Brit. Airways (*173)	160	20	21	27	4½	10	13
	180	7	10½	17	13	21	21
	200	2½	–	–	28	–	–
SmKl Beecham A (*755)	650	117	131	153	1½	7	11
	700	72	95	115	6½	16	23
	750	35	60	82	22	33	40
Boots (*357)	300	62	66	70	1	3	5
	330	33	40	49	2½	9½	11
	360	12	20	29	12	21	23
B.P. (*344)	300	49	55	58	1½	5	7
	330	22	33	39	6	11	16
	360	7	16	23	21	26	30
British Steel (*142)	130	15½	18	19	2	5	6
	140	7	11	13	4½	7½	11
	160	2	4	7	19	24	24
Bass (*1056)	1000	77	107	137	10	28	35
	1050	44	75	105	28	47	55
	1100	22	52	80	60	75	87
C & Wire (*520)	460	68	80	92	3½	10	15
	500	36	52	67	10	24	29
	550	11	25	42	38	48	53
Courtaulds (*387)	330	62	66	76	1½	4½	6½
	360	35	41	53	4½	12	15
	390	14	24	34	15	24	26
Com. Union (*526)	460	72	85	90	2	6	10½
	500	37	55	62	8	15	23
	550	10	28	35	33	38	45
Fisons (*474)	390	90	100	112	1	3	5
	420	60	73	88	3	7½	10
	460	26	44	58	13	19	22
GKN (*365)	330	45	59	62	3	8	12
	360	20	40	42	13	18	23
	390	8	22	29	28	33	38
Grand Met. (*766)	700	79	105	120	5	15	22
	750	40	70	86	18	32	35
	800	19	43	63	43	55	62
I.C.I. (*1034)	1000	60	104	119	20	32	48
	1050	35	74	90	42	54	67
	1100	16	52	67	74	82	95
Kingfisher (*441)	390	58	68	76	1½	10	13
	420	33	44	55	8	17	20
	460	12	23	34	28	36	40
Ladbroke (*286)	260	33	39	47	5	11	16
	280	18	26	33	11	20	24
	300	7½	–	–	22	–	–
Land Secur (*543)	500	51	60	68	3	8	13
	550	17	27	40	18	31	35
	600	3½	10	20	61	67	68
M & S (*250)	220	33	37	45	1	5	6
	240	17	23	32	5	11	13
	260	6	13	21	14	21	23
Sainsbury (*343)	300	45	52	62	1	5	6½
	330	22	31	40	6	12	15
	360	6½	15	25	22	29	31
Shell Trans. (*483)	460	36	54	67	7	12	16
	500	12	30	40	24	28	35
	550	3	–	–	70	–	–
Storehouse (*119)	110	14	16	21	3	6	8
	120	7	11	15	6½	11	13
	130	3	7	–	13	17	–

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Trafalgar (*251)	240	23	29	40	9	21	25
	260	12	19	29	20	32	35
	280	6	13	22	35	45	47
Utd. Biscuits (*371)	330	42	48	57	2½	6	9
	360	17	28	37	11	15	20
	390	4	14	21	31	35	38
Unilever (*735)	650	90	102	122	4	9	12
	700	43	65	85	12	21	27
	750	14	36	56	37	45	48
Ultramar (*334)	300	40	52	60	3	6	8½
	330	17	33	40	11	15	20
	360	6	17	25	30	32	37
Option		**Mar**	**May**	**Aug**	**Mar**	**May**	**Aug**
Elec. Pkg. (*£1948)	1850	125	155	–	20	60	–
	1900	95	125	–	50	70	–
Eastern Elec (*174)	160	15	21	25	2	5½	11
	180	3	10	14	8½	13	21
Southern Elec (*188)	160	29	34	–	1	2½	–
	180	9	16	–	2	6	–
Option		**May**	**Aug**	**Nov**	**May**	**Aug**	**Nov**
Brit Aero (*628)	600	60	80	92	20	25	35
	650	30	55	65	40	50	55
BAA (*414)	390	41	50	60	9	20	22
	420	23	34	45	22	32	36
BAT Inds (*712)	700	36	60	75	25	38	43
	750	18	37	53	55	63	69
BTR (*380)	360	28	42	49	12	16	21
	390	14	27	32	28	32	37
Brit. Telecom (*337)	330	22	30	37	9½	16	18
	360	9	–	–	26	–	–
Cadbury Sch (*370)	360	28	41	47	9	14	16
	390	12	24	32	25	29	31
Guinness (*853)	800	70	95	113	17	26	31
	850	40	65	85	38	48	52
GEC (*215)	200	23	26	31	4	8	10
	220	9½	13	20	11	16	19
Hanson (*230)	220	19	24	30	4½	9	10½
	240	8½	14	20	16	19	20½
LASMO (*378)	360	37	50	62	12	16	22
	390	20	32	45	27	30	35
Lucas Inds (*166)	160	15	21	26	8	11	14
	180	6	10	16	20	22	25
P. & O. (*590)	550	52	65	72	17	24	32
	600	21	38	42	42	48	57
Pilkington (*187)	180	19	21	27	8	14	17
	200	9	12	17	18	26	28
Prudential (*230)	220	15½	23	27	8½	11	14½
	240	6½	13½	17	21	22	25
Racal (*214)	200	24	29	34	6½	11	13
	220	12	18	23	16	20	22
R.T.Z. (*538)	500	45	63	72	16	22	24
	550	19	36	45	43	45	49
Scot. & New (*400)	390	31	40	48	12	20	23
	420	16	24	33	28	36	40
Tesco (*262)	253	14½	23	–	7	11	–
	260	–	–	26	–	–	16
Thames Water (*307)	300	22	27	30	9	17	19
	330	9	13	17	25	35	36
Option		**Apr**	**Jul**		**Apr**	**Jul**	
STC (*320)	300	–	–	–	¼	¼	–
	330	¼	–	–	–	–	–

Option		CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
Abbey Nat. (*262)	260	8	18	25	4	10	15
	280	2	10	15	19	22	25
Amstrad (*76)	70	6½	11	16	1½	3½	5½
	80	1¼	6½	9½	6	9	10
Barclays (*451)	420	33	52	63	3½	13	21
	460	7	28	40	18	28	38
Blue Circle (*265)	260	11	20	28	6½	18	24
	280	4	13	19	20	29	35
British Gas (*255)	240	18	27	30	1½	5	10
	260	4	14	15½	9	13	19
Dixons (*180)	180	6	17	20	5	11	16
	200	1½	7½	10	22	25	28
Glaxo (*1003)	1000	23	72	104	23	44	58
	1050	5½	47	77	59	72	82
Hawker Sidd. (*542)	500	50	63	78	2	20	30
	550	15	35	53	20	45	52
Hillsdown (*243)	240	12	24	33	8	20	25
	260	3	14	24	22	32	35
Lonrho (*242)	240	8	21	27	7	12	18
	260	2	11½	–	21	24	–
Midland Bk (*198)	180	20	29	38	2	8	12
	200	6	18	26	8½	17	23
Reuters (*900)	900	30	82	113	35	63	80
	950	15	–	–	65	–	–
R. Royce (*161)	160	5½	14	19	4½	9	12
	180	1½	6	10½	20	22	23
Sears (*95)	90	6½	10	11	1½	5	7
	100	1½	4	6½	6½	11	12
THF (*270)	260	14	22	29	3	13	16
	280	5	13	22	13	25	27
Thorn EMI (*754)	750	16	53	60	14	26	43
	800	2½	26	35	47	55	72
TSB (*156)	140	17	23	26	1	3	5½
	160	2	10	13½	7	9½	13
Vaal Reefs (*$61)	60	5	9	12	4	8	11
	70	1½	6	8	12	14	17
Wellcome (*515)	500	25	52	70	10	25	30
	550	5	28	45	42	52	54

EURO FT-SE INDEX (*2459)

	2275	2325	2375	2425	2475	2525	2625	2725
CALLS								
Mar	186	138	95	56	27	12	2½	1
Apr	207	165	125	92	63	40	–	–
May	–	188	–	116	–	65	–	–
Jun	–	203	–	135	–	83	45	23
Sep	–	253	–	190	–	135	95	58
Dec	–	290	–	230	–	175	134	98
PUTS								
Mar	5	8	13	25	46	80	170	267
Apr	15	21	31	45	68	96	–	–
May	–	29	–	56	–	100	–	–
Jun	–	36	–	65	–	109	171	243
Sep	–	53	–	82	–	125	177	237
Dec	–	75	–	110	–	150	195	250

FT-SE INDEX (*2459)

	2250	2300	2350	2400	2450	2500	2550	2600
CALLS								
Mar	214	165	117	76	43	20	9	5
Apr	237	195	152	113	80	55	35	22
May	252	211	170	135	105	75	58	38
Jun	265	225	190	155	125	98	76	57
Dec †	–	310	–	250	–	190	–	142
PUTS								
Mar	3½	6	9	18	35	65	108	153
Apr	12	16	25	38	61	87	121	161
May	20	27	38	51	73	100	131	169
Jun	25	34	45	61	80	105	140	172
Dec †	–	70	–	105	–	147	–	205

March 11 Total Contracts 24,142
Calls 15,586 Puts 8,556
FT-SE Index Calls 2,939 Puts 1,978
Euro FT-SE Calls 28 Puts 56
*Underlying security price. † Long dated expiry mths

BBA falls to £75m after second half deterioration

By Andrew Bolger

BBA, the international company which serves the automotive, industrial and aviation markets, blamed a sharp trading deterioration in the second half of 1990 for a 9 per cent drop in pre-tax profits to £75.1m.

Sales rose just 1 per cent to £1.23bn. Earnings per share dropped 18 per cent to 16.12p (19.65p), depressed by an extraordinary provision of £15.4m, some £6m of which covered settlement of claims over a gas rig contract and the rest the closure and disposal of peripheral businesses.

BBA moved swiftly to cut costs and took an exceptional charge of £6.7m to cover shedding 1,300 jobs, almost all of which have already been lost in the US, Australia and the UK.

The automotive division saw sales fall from £713m.4m to £631.8m and operating profit slump from £52.4m to £34.6m. Demand remained strong in Germany, but BBA was hit elsewhere by the drop in vehicle production – particularly in Australia. While some improvements had been made in market share, these were insufficient to offset weak demand.

The industrial division made operating profits of £46.2m (£39.6m) on sales of £445.5m (£396.3m). The textile business improved on all fronts although Duralay, the carpet underlay operation, lost £700,000 in the collapse of the Lowndes Queensway retailing chain, but went on to improve productivity and market share.

In aviation, sales rose to £151.9m (£134.7m), but operating profit dipped to £16.1m (£17.7m). For three months after the start of the Gulf crisis, its refurbishment and outfitting of aircraft were disrupted and cancelled by airlines. But the group's extended facilities in Florida were now satisfactorily loaded and there were opportunities for its Texas facility, currently under construction.

A final dividend of 5.25p gives a total of 7.5p (7.25p).

● COMMENT

Although in line with expectations, these are very creditable results from a group right at the sharp end of recession. Apart from Germany, the automotive parts business continues to be grim and there is no immediate sign of recovery. However, BBA has cut jobs and costs, and the increase in both sales and profits margin on the industrial side is particularly impressive. The aircraft side has also bounced back quickly after the Gulf crisis, but its outlook will continue to be clouded by the restructuring and collapses sweeping the airlines. Forecast group profits of £68m give a prospective multiple of just over 11. The catch is the shares have outperformed the market by more than 20 per cent in the last month, as investors returned to unpopular sectors. With gearing having risen to 61 per cent, as against 55 per cent last year, BBA has also attracted those seeking likely beneficiaries from lower interest rates. With a prospective yield of only 6 per cent, the shares have come far enough, fast enough – at least until there are more palpable signs of recovery from the motor industry.

Lifted profit and bid talks spur Memec shares 52p

By David Owen

SHARES OF Memec (Memory and Electronic Components) soared by 52p to 252p yesterday after it unveiled better-than-expected 1990 results and revealed that it was in talks expected to lead to a recommended cash offer of 270p per share being made for the group.

Such an offer would value this distributor of electronic components and microprocessor systems at £74.59m. Mr Colin Stevens, finance director, said the prospective buyer was a European company with "a fairly substantial business in Germany" and "electronics interests which fit very much with our own".

Taxable profits for the year to December 31 were up 27 per cent at £8.53m (£6.7m), rebounding beyond even the £8.3m figure achieved in 1988.

Sales climbed by a more sedate 14 per cent to £110.81m (£97.37m). Earnings per share were up at 18.36p (15.51p) and a final dividend of 5.35p (4.5p) is recommended, making a total of 7p (6p).

The group said activity levels were encouraging, but there was caution about the short-term outlook.

Regarding the prospective offer for the company, Mr Stevens said Memec hoped to make a full press statement later this week.

"Their management have at all times emphasised that they want us to stay," he added. "We are talking about them having a couple of non-executives on the board."

Memec, which earned interest of £405,000 (£972,000) in the year just ended, boasts net assets amounting to £26.4m, Mr Stevens said.

The group attributed its strong 1990 showing to a programme of new product introduction, geographical expansion and rigorous cost control. "We see a growing need for our services as manufacturers realise the very high costs incurred in addressing markets directly."

In the year, it opened a new division of its US operation in San Jose, California and a systems sales office in what used to be East Germany.

MAI ahead 5% and raises £21m selling part of Avenir stake

By Maggie Urry

MAI, the financial, information and media group, increased interim pre-tax profits by 5 per cent to £29.6m, despite difficult trading conditions and a weakening dollar.

The group also said it was raising £21m by selling part of its stake in Avenir Havas Media, the advertising and freesheet company, to Havas, the French media group which is Avenir's majority shareholder.

Mr Clive Hollick, managing director of MAI, said the outlook for the second half was uncertain. However, he was encouraged by the recent improvement in the dollar and by declining interest rates around the world. The shares rose 1p to close at 117p yesterday.

The results, for the six months to December 31, benefited from a £7m swing on interest, from £2.9m payable to £4.1m receivable. That was thanks largely to the £74m raised last summer by the reduction in MAI's Avenir stake from 32.2 per cent to 20 per cent. This more than offset the fall in pre-interest profits from Avenir, which contributed £3.4m (£7.9m).

Turnover fell from £194.6m to £166.4m. Earnings per share were ahead 10 per cent at 5.7p (5.2p). The interim dividend is unchanged at 1.4p.

After exercising a put option over 771,480 shares in Avenir, the group's stake will fall to 15.5 per cent, worth more than £70m at the exercise price. Mr Hollick said Avenir would still be an associate because MAI had board representation.

The money and securities broking side was hit by the effect of the falling dollar on translating profits, costing £3m in the first half, leaving trading profits slightly lower at £16.6m (£17m). The average rate for the half year was $1.91 to the pound.

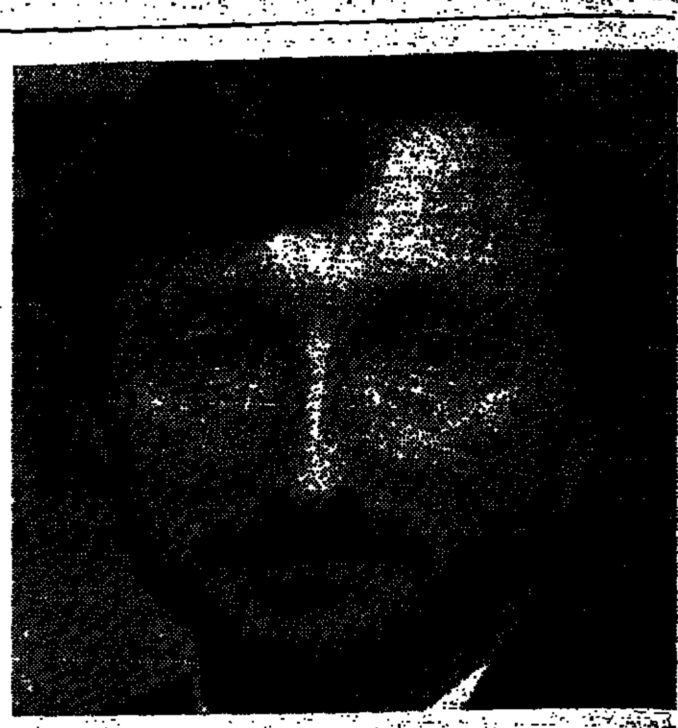
Declining interest rates lifted activity in bond and deposit markets and MAI reckoned it increased its share of foreign exchange trading.

Profits from retail financial services slipped 20 per cent to £3.6m (£4.5m). Mr Hollick said that bad debts on the Wagon car loans side had increased but were containable, and the group had gained share of the declining car sales market.

Safeguard, the retail insurance chain, increased unit sales despite a static market and was now benefiting from rising motor insurance premiums, Mr Hollick said. He added that the market for the retail finance business appeared to have stopped declining, although it was not yet recovering.

The information division, which includes the market research businesses and National Opinion Polls, had a full six months contribution from the MIL Research group bought at the end of 1989. However, trading conditions were difficult and MAI adopted a competitive stance on pricing. The division increased profits to £1.9m (£1.8m).

Mr Hollick said the balance sheet had net cash of £75m, and the group had ambitious development plans for its existing businesses as well as its bid for an ITV franchise.



Ashley Ashwood

Clive Hollick: encouraged by falling world interest rates

● COMMENT

MAI's earnings per share have been on something of a plateau in recent years and are unlikely to break out in the current one. There are also concerns that the group may have fancy plans for its cash, with the bid for an ITV franchise, for example, worrying some investors. Having said that, Mr Hollick has had a good track record on acquisitions. MAI has done better than most of the rest of the financial sector in difficult trading conditions. Now the strengthening dollar and falling interest rates are providing ideal conditions for large parts of its business, a point that has been recognised in a 30p share price rise since mid-January. Pre-tax profits should edge higher for the year, perhaps to £67m (£65.6m) giving a p/e of less than 10. The prospective yield should top 6 per cent. The rating still leaves something to go for.

Moody's downgrades GA's rating

By Richard Lapper

Moody's Investor Services, the international credit rating agency, has downgraded the claims paying rating of General Accident, the general and life insurer, from AAA to AA1 following GA's announcement of pre-tax losses of £121.3m.

Moody's believes that pressure on earnings will make it difficult for the company to restore its balance sheet to its former strength. Moody's rating reflects an insurer's ability to meet claims.

Mr Weston Hicks, insurance analyst at Moody's in New York, said the downgrading was particularly influenced by the heavy exposure of GA's investment portfolio to US equities, the effect on the group of the continued weakness of the US dollar, and the problems of its New Zealand subsidiary, NZI Corporation.

CIA bucks sector trend with 34% gain to £2.45m

By Alice Rawsthorn

CIA GROUP, the USM-quoted media-buying concern, bucked the slump in the advertising industry by increasing pre-tax profits by 34 per cent from £1.82m to £2.45m in 1990.

Mr Chris Ingram, chairman and chief executive, said the group had done "very well considering the market conditions". He said a number of existing clients had cut their budgets during the year, but the influx of new business had compensated for this.

Turnover rose to £165.39m (£139.91m) and operating profits to £1.17m (£958,000). CIA received £1.28m (£864,000) in investment income from its surplus cash – about £4m at the year-end – and from the interest earned on the money received from clients to buy media before that money was paid to the media owners.

CIA, now the fourth largest source of media buying in the UK, won £35m of net new business last year including a $25m (£13m) pan-European media planning and buying account for Nike sportswear, its first major piece of international business.

Mr Ingram said the UK market was still "very tough", but there were signs that the market had stabilised, albeit at a low base in that clients no longer seemed to be cutting their budgets.

He said the group would be run in a "cautious" manner throughout this year.

Fully diluted earnings per share rose to 11.01p (8.29p). A proposed final dividend of 2.2p makes a total for the year of 3.2p.

The shares, which were priced at 82p when CIA joined the USM 18 months ago, yesterday rose by 6p to 104p.

Thorntons rises 8% despite hot summer

By Jane Fuller

CHOCOLATE SALES are more vulnerable to the weather than to the recession, according to Thorntons, the family-controlled manufacturer and retailer.

Pre-tax profits rose 8 per cent to £7.8m (£7.2m) on sales of £46.2m (£43.2m) in the 28 weeks to January 12. The previous period's turnover included £3.3m from a marginally profitable greetings cards business sold in April last year.

Mr John Thornton, chairman and chief executive, said the business had been more affected by the hot summer and the snow-hit pre-Christmas weekend than by recession. Ice cream lines partially offset the heatwave's ill effects.

With the help of new outlets, the UK retail division increased sales by about 14 per cent to £33.8m. Like for like sales growth was 5.5 per cent in the Thorntons shops and 7.5 per cent in franchises. Smaller-town venues did better.

During the period 21 more outlets were opened, making a total of 364.

Contribution to turnover from France, where Thorntons paid £8.7m for a collection of mini-chains in Paris, Normandy and Brittany, increased to £4.5m, but profits remained small. Most of the business had been loss-making at the time of purchase in autumn 1989.

Mr Thornton said the brand name Martial had been chosen for the whole chain and 30 of the 46 shops had been converted. High security in Paris during the Gulf War had hindered sales in February.

Sales to other retailers, such as Marks and Spencer, were flat at £6.6m. He expected growth to resume in the second half.

Property disposals brought in a £464,000 (£438,000) profit.

Interest payments of £210,000 replaced income of nearly £200,000. Net debt stood at £3.3m in January, giving gearing on shareholder's funds of less than 8 per cent. Mr Thornton said the main weight of capital spending and tax payments had fallen in the first half.

On a lower tax rate of 35 per cent, earnings per share rose by 10.5 per cent to 8.01p (7.25p). The interim dividend goes up to 1.2p (1.1p).

UK COMPANY NEWS

TDG falls 8% after overseas setback

By Jane Fuller

FALLING overseas earnings more than wiped out domestic improvements at Transport Development Group, which saw pre-tax profit fall by 8 per cent from £41.5m to £38.2m.

Turnover declined to £580.8m (£593.1m) because of business disposals, but this made a negligible difference to operating profit which fell by £2m to £43.3m in the continuing businesses.

TDG, in which the Swedish investment company Proventus has built up a 17 per cent stake since August, saw its share price gain a further 16p yesterday to close at 256p.

In the UK, which accounted for 56 per cent of ongoing sales, operating profit grew by more than £800,000 to £30.7m. The main improvement came in distribution, which contributed £10.5m (£9.1m).

Mr Alan Cole, chief executive, said the contractual business with big customers, such as Sainsbury and Mars, had benefited from continued buoyancy in food and drink sales.

With storage inching ahead, the gains were eroded by a slight decline in transport and a more serious one in plant hire.

The US, however, continued to disappoint and profit more than halved to £1.5m (£3.2m). Mr Cole said two of the three businesses were bad and they would be sold. An extraordinary provision of £9m was made against losses on the disposals.

In continental Europe, a decline in the Netherlands following increased competition more than offset an improvement in France. Storage was worst affected. Overall, operating profit fell to £8.8m (£9.6m) on sales of £142.2m (£132.5m).

The Australian recession had caught out start-up businesses, so although turnover grew by a third, profit declined to £2.4m (£2.8m).

Interest payments saw little change at £4.8m (£4.6m) and net borrowings fell to £47.7m (£51.1m), giving gearing of 18 per cent on shareholders' funds.

Mr Cole stressed the strength of the group's balance sheet. Net tangible assets per share stood at 182.3p (185p).

Earnings per share slipped by 7.8 per cent to 17.7p (19.2p). For the third year running the total dividend is held at 9.5p, after an unchanged final of 6.5p.

● COMMENT

A combination of results slightly ahead of expectations and forecasts revised upwards gave the shares another push to their highest level since the October 1989 mini-crash. The twin prods of Mr Cole, who came in last June, and Proventus have accelerated the reorganisation of the UK operation and the pruning of poorly performing parts. The process has included a management shake-up at all levels and will take a welcome step forward when the US disposals materialise. These measures should stem the profit decline which dates back to late 1988, when the pre-tax figure peaked at £47.1m. This year, an improvement to a forecast £41.5m gives a prospective p/e of 13.8. While TDG's premium to the market owes something to a strong balance sheet and recovery prospects, the Proventus stake is responsible for a rating ahead of NFC's, which is less than 13. TDG is far from cheap, but either the present management or its successors are set to make more of the assets.

Young Gp profit and dividend cut

By David Thomas, Resources Editor

YOUNG GROUP, the USM-quoted private coal mining company, yesterday halved its final dividend after announcing a 60 per cent drop in pre-tax profits in 1990.

However, Mr Robert Young, chairman, said the group had weathered the difficult trading conditions. He predicted that Government policies such as electricity privatisation would improve the climate for private coal mining.

Operating profit for the year to December 1 1990 fell to £2.37m (£3.54m). After higher finance charges of £1.24m (£702,000) taxable profits were £1.13m (£2.84m).

Earnings per share declined to 10.23p (22.15p). A final dividend of 2.6p brings the total to 5.2p (7.8p).

Mr Young blamed the profit fall on depressed coal prices in the first four months, a significant rise in fuel costs and poor results from the British Coal contracting subsidiary.

However, he stressed that better prices were offered from April to private coal producers following a complaint to the European Commission, which also resulted in less onerous opencast and underground royalties and charges.

On the future, Mr Young said that Government policies would result in a substantial increase in private opencast production.

Turnover increased to £36.92m (£31.62m).

Slowdown in UK computing sees Sema decline to £15.3m

By Alan Cane

THE SLOWDOWN in demand for computing services in the UK is now taking its toll in mainland Europe, depressing profits at Sema Group, the Anglo-French computing services combine quoted in London.

Sales for 1990 rose 28 per cent to £375m (£293m), but pre-tax profits fell 12 per cent to £15.3m (£17.5m). Earnings per share were down from 11.6p to 10.5p, but the final dividend is 1.6p for a total of 2.5p (2.4p).

Much of the increase in sales in 1990 was the result of an aggressive acquisition campaign, but Mr Pierre Bonelli, group managing director, said he was satisfied with the underlying organic growth rate of about 12 per cent.

He was not, however, content with the group's profitability which had been hovering around the 5 per cent mark for three years.

"We have to double our profitability in the next three years", Mr Bonelli said.

Measures. included a thorough weeding of the portfolio of businesses and increased expenditure on research and development to ensure the group was ready for any upturn in the economy.

Mr Bonelli said it was unlikely that the group would make further acquisitions in 1991 while last year's purchases were being digested, but he was anxious to form alliances in key business areas.

The managing director said "I do not expect the economic climate to improve much before the fourth quarter of 1991".

Pierre Bonelli: agressive acquisition policy

● COMMENT

Sema seems to have overcome its difficulties with fixed price contracts in the UK, which damaged profitability three years ago after the merger between Sema Metra of France and CAP of the UK. The management is both determined and able to improve profitability, but the current economic climate is doing it no favours. CAP Sogeti Gemini of France still holds some 27 per cent of the shares, but threats of a takeover seems to have receded. More worrying is the amount of research and development funds, £4m-£5m a year, the group is investing in an industrial software package, I-Line, being developed at its German subsidiary. Against this background, Sema will do well this year to nudge pre-tax profits ahead to £15.5m-£16m.

Steady demand helps Fife Indmar to £1.7m

By Michiyo Nakamoto

FIRM DEMAND in Scotland and from the North Sea enabled Fife Indmar, the Edinburgh-based engineering holding company, to lift profits last year by 41 per cent, from £1.21m to £1.71m.

Turnover rose to £31.8m (£23.14m) with demand holding up well in all three of the group's main businesses.

Industrial distribution, which saw particularly buoyant demand from the North Sea, increased trading profits to some £1m (£767,000).

Earnings from the engineering components side rose from £493,000 to £700,000 while the contribution from the catering equipment business increased to £670,000 (£400,000).

Mr Gavin Hepburn, chairman, said the group had been able to weather the general economic downturn as most of its business was in the more resilient economies of Scotland and the north of England.

Earnings per share rose to 10.88p (9.12p). A final dividend of 3.9p makes a total of 4.9p (4.125p).

DIVIDENDS ANNOUNCED

BBA	fin	5.25†	May 29	5.25	7.5	7.25
Brit Polythene	fin	5.25	May 31	4.5	8.25	7.5
British Vita	fin	3.4	May 13	3.067*	6.7	5.867*
CIA §	fin	2.2	May 7	-	3.2	-
Cornwell Parker	int	1.6	Apr 26	1.6	-	5.5
Cowan de Groot	int	nil	-	1.25	-	1.25
Fife Indmar	fin	3.9	Apr 29	3.375	4.9	4.125
Hey & Croft §	fin	nil	-	1.8125	nil	2.8125
MAI	int	1.4	May 4	1.4	-	5
Memec	fin	5.35	May 24	4.5	7	6
Perkins Foods	fin	2.3	May 23	1.7	3.8†	3.1
Sema	fin	1.6	July 1	1.6	2.5	2.4
Taylor Woodrow	fin	7.64	July 1	7.25	9.5	9
TDG	fin	6.5	May 10	6.5	9.5	9.5
Thorntons	int	1.2	Apr 30	1.1	-	3.3
TLS Range	fin	0.8	May 3	1.8	1.8	1.8
Young Group §	fin	2.6	-	5.2	5.2	7.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Eurocamp expands 44%

EUROCAMP, which runs self-drive camping and mobile-home holidays in Europe, experienced further significant progress in 1990.

Turnover rose 17 per cent to £46.57m (£39.7m) while pre-tax profit advanced 44 per cent to £5.66m (£3.92m).

The company was the subject of a management buy-out from Next in November 1988; it had intended to float on the main market last autumn but abandoned those plans because of the extreme uncertainty in world markets.

Highlights were further growth in sales and profit in the core UK business and continuing success of the German sales operation.

With sales through Eurocamp Holland, European sales exceeded 25 per cent of the group total.

Interest charges hit TLS

TLS RANGE, the north west-based vehicle rental group, saw a substantial increase in interest charges take its toll on profits in 1990.

Turnover expanded 38 per cent to £8.8m (6.36m) but pre-tax profit fell 22 per cent, from £1.03m to £807,000. Interest costs were £1.16m (£665,000).

Mr Richard Birley, chairman, said contributory factors to pressure on margins were a doubling of bad debts to 1 per cent of turnover, higher cost of spares, and increasing vehicle write down provisions to 23 (19.3) per cent of turnover.

Borrowings were increased to finance acquisitions, organic growth and normal vehicle replacement. Overall gearing, at 161 per cent, "was well within the range expected in a rental business such as TLS", he said.

Earnings were 5.2p (same) and 8.7p after exceptional tax credit. The final dividend is 0.8p for a maintained total of 1.8p.

COMPANY NEWS IN BRIEF

ABTRUST SCOTLAND Investment Company has conditionally agreed to acquire a portfolio of investments valued at £1.26m from Murraystone Investments. Consideration, payable in cash, will be raised by issue of 4.52m new ordinary shares in Murraystone for cash at 27.8p each. March11

ALPHAMERIC is to sell its wholly-owned subsidiary PC Communications to Termglobal, whose shareholders include Keith Marsden and Alan Saul – both PCC directors – for £127,000 cash. Termglobal will also be assuming certain bank borrowings relating to PCC such that will reduce group borrowings by £282,000 on completion. Also, the trustees of LGH Pension Scheme have agreed to subscribe for cash, at par, for such number of new ordinary shares as will be represented by the principal amount of a £400,000 loan made by the trustees to Alphameric on March 9, plus accrued interest, subject to repayment of loan.

BERISFORD INTERNATIONAL has sold Single Service for £3.21m gross to Britwest, a company formed by a group of investors including the senior management of Single Service and Wallace Smith International.

CAPITAL AND Regional Properties, a USM-quoted property investor, has made its first UK acquisition for nearly three years. It has bought a Wembley office building for £5m.

CASTINGS has, through its newly incorporated subsidiary Seenak, agreed to buy the William Lee business and certain assets from Parkfield Group. William Lee, a manufacturer of malleable and ductile iron castings, made £736,000 before interest and tax in the year to April 30 1990. The total consideration is £3.83m cash payable on completion.

CRAY ELECTRONICS has sold as a going concern the assets and certain liabilities of Lloyd Instruments for a total consideration of £2.08m.

ELDERS INVESTMENT Management, a wholly-owned subsidiary of Foster's Brewing Group, has been sold to a joint venture company owned equally by Mr Bruce Campbell, the managing director of EIM, and Monaco-based Webco Europe.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BM, Cala, Domestic & General, Everest Foods, Logica, Precious Metals Trust, Strong & Fisher.

Finals- American Trust, Blagden Inds, CMW, Celestion Inds, Crests, De Beers Cons. Mines, De Beers Centenary AG, Glynwed Intl, Kerry, Standard Chartered, Wimpey (George).

FUTURE DATES

Finals-

Beauford	Mar. 18
Candover Invs	Mar. 18
Dolphin Packaging	Mar. 20
Metalrax	Mar. 18
Plasmec	Mar. 28
Sun Life	Mar. 20
Tibbett & Britten	Mar. 20

UK COMPANY NEWS

European operations lift British Vita to £54.2m

By Clare Pearson

BUOYED BY its continental European operations, British Vita, the Manchester-based polymer, fibre and foam group, achieved a 12 per cent increase, from £48.31m to £54.23m, in pre-tax profits during 1990.

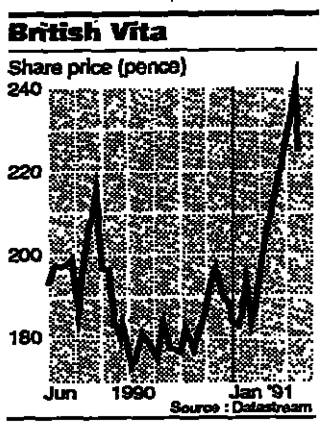
Strength in Germany and related markets, which by the year-end accounted for about a third of the company's operations, offset economic downturn in other parts of the world, including the UK and Spain.

Pre-tax profits derived in the UK declined from £20.46m to £17.18m. However, those in continental Europe grew by nearly £10m to £32.04m.

On current year prospects, Mr Rod Sellers, chief executive, said he expected 1991 would be "another hard grind" in the UK. But he looked for continued growth in northern Europe. Rises in petrochemical-based raw material costs towards the end of last year were being recovered.

Furniture and bedding manufacturers are the company's biggest customers. The automotive industry is the next most important industry, accounting for about 18 per cent of sales.

Mr Sellers pointed out that British Vita had entered the year with a strong balance sheet: after the sale of the company's stake in Vita Pacific, the Australian associate, gearing had fallen to 17 per cent at the year-end.



That was after £38m had been spent on capital assets, of which about £8m went on a clutch of small acquisitions. Net interest charges rose to £3.19m (£1.17m).

Group turnover was up at £635.95m (£589.61m). Earnings per share rose to 18.8p (17.3p). The recommended final dividend is 3.4p making 6.7p (adjusted 5.87p) for the year.

● **COMMENT**

This further set of impressive results from well-regarded British Vita was right in line with analysts' expectations; however, some followers were disappointed by what struck them as a slightly guarded statement on current trading. But, given how busy it has been investing in fixed assets, the company should in principle be a very good competitive position to improve profits when demand outside Germany and the Netherlands starts to rise. The key determinant of this year's results is how quickly that will happen, and especially the timing of recovery in the UK. Assuming the home market strengthens towards the end of the year, and bearing in mind that currency translations are likely to be more favourable, it seems reasonable to expect full-year pre-tax profits to move ahead to about £56m. However, even after their 15p fall to 225p yesterday, the shares look by no means cheap on a prospective p/e of nearly 12. They should held for the long-term or bought on weakness.

Securities setback sees Barings drop 36%

By David Barchard

BARINGS, the oldest independent merchant bank in the City of London, yesterday disclosed that its profits fell by 36 per cent to £42.4m in the year to December 31 1990.

In 1989 a record performance by Baring Securities, the bank's equity trading and broking arm, helped push profits to £65.9m.

In 1990 a low level of profitability in the securities industry worldwide caused the contribution to profits of Baring Securities to fall back below 50 per cent, though it still made a large contribution to group profit and maintained its leading position in Tokyo and reputation for research.

Mr Peter Baring, chairman, said the group was pleased with its performance in a difficult market during the year. "Corporate finance had had an outstanding year with record profitability. Baring Asset management also did well and improved its profitability."

Funds under management at the end of the year were £14.3bn, slightly down on 1989.

The group's banking activities completed the year without having to make any additional provisions for loan losses. "We feel that our people have done a very fine job in avoiding needing to make any addition to loan losses," Mr Baring said.

There was a return on average capital employed of 23 per cent. The group now employs 2,700 people with 44 per cent outside the UK.

Barings' voting share capital is controlled by its senior executive management, with non-voting equity held by the Baring Foundation, a charity. The charity receives most of the dividend payments of £4.36m (same) and convenanted donations of £1.94m (£1.38m). Retained profits were £14.75m (£34.29m).

The transmission of Fulcrum's ownership

Paul Abrahams looks at the benefits behind BT's link with Fujitsu

IMPECCABLE LOGIC lies behind the decision of Fujitsu and British Telecom to set up a joint company to take over Fulcrum Communications, BT's last remaining manufacturing facility.

For Fujitsu, one of Japan's largest computer and technology companies, the deal provides a point of entry for its telecommunications operations in both the UK and the continent.

So far, the company has only a limited presence in Europe compared with its US and Asian operations, admits Mr Michio Fujisaki, general manager of Fujitsu's transmission systems group and now also non-executive director of Fulcrum.

Its European sales have been limited to small amounts of optical transmission equipment to Sweden and the Republic of Ireland.

The deal will provide Fujitsu with a manufacturing base from which it can market more aggressively in Europe, says Mr Fujisaki. But, in spite of the creation of a single European market after 1992, Mr Fujisaki expects the French, German and Italian markets to remain "tough".

In the UK, however, he expects the acquisition to allow Fujitsu to expand its sales following the Government's announcement to liberalise radically the telecommunications market.

Mr Fujisaki expects the British market for telephony equipment to expand rapidly as network operators take advantage of new technologies to reduce their costs in the increasingly competitive market.

In particular, he anticipates increased demand from UK-based television cable companies requiring loop equipment to set up local networks. This, in particular, is an area where

Michio Fujisaki: gained a base for marketing in Europe

Fujitsu has considerable expertise.

Finally, the Japanese company will also explore potential links between Fulcrum and ICL, its British computer subsidiary. Fujitsu acquired an 80 per cent holding in ICL from STC last year.

Mr Fujisaki maintained that there was a natural convergence between computing and telecommunications technologies and that telecommunications companies were increasingly expecting a total product from suppliers.

For BT, the decision to cease all manufacturing in the UK is confirmation of the policy of BT's chairman, Mr Iain Vallance, to return to core businesses.

Fulcrum, which manufactures transmission equipment, was originally formed from the old General Post Office telecommunications factories in 1985.

BT said yesterday it no longer formed part of the organisation's core operations.

BT has also been trying to pull out of its other manufacturing operation, Mitel, the Canadian telephone exchange manufacturer. Last year, BT announced its intention to sell its stake after it admitted its previous strategy had been misguided. BT originally paid C$322m for the holding and has been unable to find a buyer.

The need to return to its core telephone services follows the Government's recent decision to liberalise the British telecommunications market.

In the long term there is no doubt BT will come under increasing pressure from new competitors in the shape of Mercury Communications, the cellular telephone companies, operators of personal communications networks and cable television consortia.

BT is also struggling under a tougher regulatory regime from Oftel, the industry watchdog, following a review of its operations. A formula was drawn up under which the price of domestic and international calls will fall by 6.25 per cent per year in real terms. The previous figure was 4.5 per cent.

At the same time, the company is suffering from the recession. Mr Vallance warned last year that there had been a marked slowing in the rate of growth for its main services, reflecting trends in both the domestic and international economies.

Last month, BT admitted that revenues from international calls had fallen for the first time since records started more than 20 years ago.

Much of BT's ability to maintain profit increases is through cost-cutting. The company is implementing a substantial programme of job reductions. In the third quarter of last year, a further 5,100 UK jobs were shed in addition to the 5,500 lost in the previous six months.

About 620 people are employed by BT at Fulcrum's Birmingham plant.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

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Cornwell Parker falls 12%

By Michiyo Nakamoto

WEAKNESS IN the housing market cut interim profits by 12 per cent at Cornwell Parker, the specialist furniture and fabrics group.

Pre-tax profits for the six months to January 31 fell to £3.59m (£4.07m) in spite of a 5 per cent lift in turnover to £46.11m (£43.94m).

That reflected increased sales from the furniture side, where profit margins were lower than in the fabrics business.

Cornwell has retreated from the kitchen and fitted furniture business with the disposal of loss-making County Kitchens, which has been sold back to its management for a nominal amount. There will be an extraordinary write-off of up to £2.5m this year arising from the disposal.

Mr Martin Jourdan, chairman, admitted that the acquisition of County Kitchens early in 1989 had been a mistake, with demand falling by about 35-40 per cent by the end of that year.

Cornwell has recently made changes in its management structure to reflect a clear division between the company's two core businesses. A new chief executive's post has been created separately for the furniture and fabrics divisions.

Earnings per share dropped to 5.9p (7.1p) and the interim dividend is maintained at 1.6p.

Although full year profits were not expected to match last year's £8.71m, the group believed the growing size and wealth of the 45-and-over age group, its main target, will provide ample opportunity for continued organic growth.

Housing downturn pushes Hey & Croft into the red

IN A year that "has been one of the most difficult for everyone involved in the housing market", Hey & Croft Group, the USM-quoted housebuilder based in East Anglia, plunged into the red and passed its dividend.

In the 12 months to October 31, the company incurred pre-tax losses of £3.7m, against profits of £1.01m in the previous year.

Gross profits of £1.81m (£5.08m) were achieved from turnover almost halved at £11.08m (£21.36m). The company sold 100 houses, bungalows and flats, against 212 last time.

After administrative expenses of £2.15m (£2.52m), an exceptional charge of £1.64m (nil) relating to a reduction of stock and work in progress and pre-paid marketing costs, and other operating income of £14,000 (£59,000), operating losses totalled £1.97m (profit £2.62m).

Interest charges debited a further £1.73m (£1.61m).

Mr Leonard Hey, chairman, said that although the company had been managed as efficiently as possible, it could not operate in isolation from the rest of the economy.

He was, nonetheless, "cautiously optimistic that 1991 would see a recovery underway".

Earnings per share of 5.4p last time were converted into losses of 27.4p. Last year's total was 2.8125p.

British Polythene weathers problems with rise to £8.8m

By Clare Pearson

BRITISH POLYTHENE Industries, the plastic packaging group, weathered worsening UK economic conditions and rising raw material costs to produce pre-tax profits ahead 13 per cent at £8.8m in 1990. This was generated on turnover up only 3 per cent at £158.4m (£153.46m). Earnings per share rose 15 per cent to 21.49p (18.7p), and the final dividend is 5.25p for a total of 8.25p (7.5p).

Mr Cameron McLatchie, chairman, said the result was achieved after demand from British Polythene's predominantly UK-based customers had weakened, and its raw material costs risen sharply, during the second half.

Packaging demand from retail customers – apart from the multiple food companies – as well as from general industrial customers fell off significantly in the second half. There was also a 40 per cent increase in the price of oil-derived polyethylene granules between August and December, associated with the Gulf crisis and North Sea oil production problems.

Last year's interest charges, at £2.96m (£2.34m), were higher than earlier expected because of increased raw material costs. However, Mr McLatchie stressed the group's strong cash flow would allow it to raise capital expenditure to about £8m this year.

Continental exposure boosts Perkins Foods 85% to £18.1m

By Clay Harris, Consumer Industries Editor

PERKINS FOODS extended its four-year growth record with an 85 per cent advance to £18.1m in pre-tax profits for 1990.

The acquisitive food manufacturer and distributor, which makes more than 90 per cent of its profits in continental Europe, increased fully diluted earnings per share by 32 per cent and total dividends by 23 per cent.

The rise in pre-tax profits from £9.8m was achieved on turnover up by 46 per cent to £196m (£134m).

The only division to show a fall in profits, to £1.63m (£2.07m), was mushrooms, which were hit by Chinese imports and hot weather in Europe and the weak dollar in the US.

Fruit and vegetables contributed £7.15m (£5.96m), frozen foods £5.67m (£1.12m) and chilled fresh £2.34m (£450,000). The last two benefited from purchases such as Peppino, the German pizza maker, and Bakker, the Dutch foods group. The Netherlands accounted for 76 per cent of profits, Germany for 16.7 per cent and the UK for 7.3 per cent.

The continental exposure had insulated Perkins from the British recession, according to Mr Howard Phillips, chief executive.

On earnings per share of 10.6p (8.4p) or 10.3p (7.8p) fully diluted, a final dividend of 2.3p lifts the total to 3.8p (3.1p).

Perkins announced the sale of Sefton Meadow, its frozen seafood unit, to management for £500,000. The resulting loss accounted for £840,000 of a £1.11m extraordinary charge, but Sefton's £250,000 trading deficit was taken above the line.

The rest of the extraordinary debit reflected listing costs in Amsterdam and London, where Perkins moved up from the USM.

● **COMMENT**

Perkins' emphasis on capital investment to build on previous acquisitions does not mean it has lost its cheque book or dismantled its busy paper-printing presses. Indeed, it may look beyond the Dutch and German frontiers for targets in Scandinavia, Austria or Switzerland. But common sense suggests that earnings growth must eventually level off, even if the rapid pace of expansion carries on, and 1991 may be a year for consolidation. If pre-tax profits rise to £24m, a share price of 143p produces a prospective fully diluted p/e of 12. Since January 1990, Perkins' shares have outperformed fellow food manufacturers' by nearly 50 per cent. It is unlikely to repeat that run but remains one of the best bets in the sector.

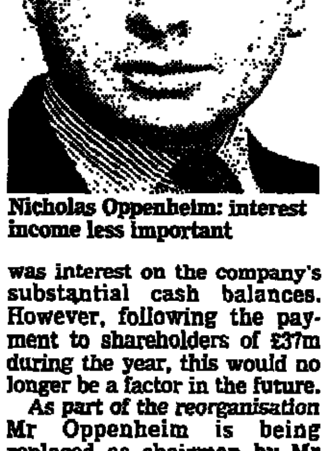
NEWS DIGEST

Sterling Trust lower at £6.6m

STERLING TRUST, formerly Dewey Warren, yesterday reported taxable profits for 1990 of £6.6m, against £11.49m, and announced a reorganisation of the board.

The comparative figure for this USM-quoted second mortgage company included an exceptional gain from the disposal of a holding in Morgan Grenfell and a further £2.4m profit from sale of investments.

Mr Nicholas Oppenheim, chairman, said a significant proportion of the 1990 profit



Nicholas Oppenheim: interest income less important

was interest on the company's substantial cash balances. However, following the payment to shareholders of £37m during the year, this would no longer be a factor in the future.

As part of the reorganisation Mr Oppenheim is being replaced as chairman by Mr Christopher Saunders.

Sterling Bank & Trust, the operating subsidiary, achieved pre-tax profits of £2.8m (£3.2m) after increased provisions against bad debts of £1.6m (£500,000). Advances remained static at £89m.

Earnings per share came out at 7.8p (17.8p). A final dividend is not being recommended in view of the earlier payments to shareholders.

Cowan de Groot warns on sales

Cowan de Groot, the toys and industrial hardware group, announced pre-tax profits of £249,000 for the half year to October 31 1990, but warned that sales in the second half would be "most disappointing".

The volume of sales always showed a decline in the second half but the trend was worse than usual at present, said Mr Michael Buckley, chairman.

The outcome compared with £1.15m, but that fell to £163,000 by the end of the year to April 30 1990. Sales in the first half improved to £18.14m (£17.98m).

After an extraordinary charge of £300,000, there was a loss of £121,000 (profit £598,000). Earnings per share were 0.5p (2.5p) and the interim dividend is passed (1.25p).

The extraordinary charge was an increase in the provision for the cost of defending litigation instituted by Eagle Trust in connection with property transactions carried out in 1989.

Mr Buckley said in addition to the decline in high street trading, margins were affected by increased costs and higher interest.

Taiwan link for Courtaulds

Courtaulds, the UK industrial materials company, has reached a US technology and marketing agreement with Formosa Plastics of Taiwan.

Formosa will use Courtaulds technology to make oriented polypropylene (OPP) films at the new factory it is building at Point Comfort, Texas, and Courtaulds will have exclusive marketing rights to all OPP films made there.

OPP films are sold mainly to the food industry for use as packaging. No money will change hands as a result of the deal.

CU acquisitions to expand pensions side

Commercial Union, the composite insurer, has acquired Globe Morley, the UK segregated pension fund portfolio managers, and Geoffrey Morley Unit Managers, which manages unit trust funds on behalf of GM's clients and other investors, from Globe Investment Trust.

At December 31 GM had funds under management of about £600m.

CU sees the acquisitions as part of its expansion of Commercial Union Asset Management. The consideration, in cash, is substantially less than 1 per cent of CU's net assets.

Assets fall 11% at TR City of London

TR City of London Trust reported a near-11 per cent decline, from 113.9p to 99.5p, in net asset value over the half-year to December 31 1990.

Net revenue rose to £4.36m (£4.04m) and earnings per share increased from 2.074p to 2.242p. Moreover, in spite of the "poor outlook for dividend growth", the trust expects to cover the forecast dividend of 4.56p for the year to June 30 1991.

ICI sells stake in MTM for £15m

ICI Chemicals and Polymers has sold 7.48m ordinary shares, or 8.45 per cent, in MTM, its fellow chemicals company, at a price of £15m or 201p per share. The shares were placed with 20 institutions.

ICI did not take up its entitlement in the rights offer associated with MTM's October acquisition of Hardwicke Chemical Company, saying at that time that its holding was a non-strategic "trade" investment.

IN A RECESSION, BUSINESSMEN NO LONGER HURL THEMSELVES FROM TALL BUILDINGS.

THEY JUST SHOOT THEMSELVES IN THE FOOT.

First the facts. (Then a little speculation on why they are so often ignored).

In every recession that has been analysed, those companies which cut their advertising budgets performed badly compared to those which maintained or increased them.

They performed badly during the recession and for some years thereafter.

For example, a study by James Capel has shown that companies which maintained or increased their spending in the 1974/75 recession had 27 per cent higher sales over two years and 30 per cent higher sales over five years.

In the 1981/82 recession the results were even more dramatic: 81 per cent higher sales over two years and 215 per cent over five.

But it doesn't stop with sales.

The authoritative Center for Research and Development has demonstrated how even a modest increase in advertising during a recession will buy brand share much more easily (and inexpensively) than in good times.

It follows of course that trying to regain brandshare after a recession is more than usually difficult (and expensive) for brands that have lowered their profile when times were tough.

In the unlikely event of an entire market sector ceasing to advertise, all that happens is that retailers' own brands become the grateful beneficiaries. This was one of the many lessons learned from the ITV strike of 1979.

In the USA there have been even more studies, some taking in data from recessions as far back as the early 1920's.

There, as here, the findings never vary. If a company cuts its adspend the money it expects to save may never appear on the bottom line.

Chances are it will be outweighed by loss of sales attributable to lack of advertising.

At best a brand that cuts back will put itself at a severe competitive disadvantage in the market place.

With each succeeding recession the body of data becomes greater, the research techniques become more sophisticated, the conclusions more ... well, conclusive.

Yet in each recession there are still companies which, in defiance of everything that is known on the subject, cut back their advertising as a first response.

Why?

Well, for many, perhaps most, it's a short term decision.

When decision makers are unaware it will probably make things worse, the need to show some sign of parsimony becomes overwhelming.

Other advertisers say that consumers spend less in a recession and that it is therefore foolish to try and encourage them to buy.

This is not an argument that bears close examination.

It is true that unemployment and other factors may reduce the spending power of some.

But throughout a recession the vast majority (as many as 90 per cent) are earning as much or more than they did before it began.

They may be cautious about spending money on luxuries and exceptional items.

But they go on buying mainstream consumer goods.

And they respond to advertising in much the same way as they always have.

In fact whatever the given reason for cutting back on advertising in a recession, the common factor is almost always too little knowledge.

IPA

And as everyone knows, a little knowledge can seriously damage your foot.

FOR FURTHER INFORMATION PLEASE CONTACT NICK PHILLIPS AT THE IPA, 44 BELGRAVE SQUARE, LONDON SW1X 8QS.

COMMODITIES AND AGRICULTURE

MacSharry takes softer line on farm policy reform

By David Gardner in Strasbourg

THE EUROPEAN Commission is not wedded to the detail of the proposals to reform the Common Agricultural Policy that were leaked in January, Mr Ray MacSharry, EC Agriculture Commissioner, told the European Parliament last night. But he emphasised that there had to be a switch away from the current means of providing support to farmers through high subsidised prices, towards direct income payments weighted towards those who most needed them.

"The core of the new approach would be greater competitiveness through a significant reduction in prices, but coupled with increased direct aid to farmers," Mr MacSharry said. This would cost more, but the amount "would depend on how far we should go to compensate farmers for the price reductions, he added, warning of "serious political difficulties" unless there was "a substantial level of compensation throughout the community".

The detailed proposals leaked in January called for severe cuts in price support with full compensation to small farmers and partial indemnity for large farms which take land out of production. The suggested cut in cereals prices, for example, was 47 per cent.

The reasoning is that around 80 per cent of price support, set to rise a record 30 per cent this year to Ecu32.5bn (£23bn), goes to the 20 per cent of the EC's biggest and most efficient farmers, and encourages the overproduction which has triggered the latest CAP budget crisis.

Farm ministers from member states, particularly the UK, Netherlands and Denmark, have fiercely criticised the discriminatory aspect of the proposed compensation. But Mr MacSharry appeared to have softened his line on what he called "the modulation of support" yesterday.

"This is not a question of favouring the small and penalising the large producer," he said, adding that the scale of compensation would take account of a variety of factors, including "size, income, geographical location."

"The facts are that none of the details have been settled and the working paper in question covered only one hypothesis. There are other options," he underlined. He regretted that the paper had "found its way into the public arena", and raised "unnecessary fears in the farming community", he told the Parliament.

He also claimed that without the much more modest cuts he is pressing as part of this year's price package, spending would have risen by Ecu8.5bn. This is above last month's commission estimate of a Ecu7.9bn, which would be held, after the cuts, to Ecu7.4bn.

Baltic futures markets to move

By David Blackwell

THE LONDON Futures and Options Exchange plans to move all the former Baltic Futures Exchange markets away from the Baltic Exchange to a new floor at Commodity Quay, the Fox headquarters.

London Fox, which merged with the BFE at the beginning of this year, is taking advantage of the space left at Commodity Quay following the decision of the raw sugar futures market to move off the floor on to automated screen trading.

The five markets being moved are grains, soyabean meal, freight futures, meat and potatoes. They will continue to trade by open outcry, as will Fox's cocoa and coffee markets. Screens showing price movements will be left in place at the Baltic Exchange.

London Fox said yesterday that the move to Commodity Quay would save money; would open the former Baltic markets up to more liquidity; and could attract extra interest from the "local" traders at London Fox who operate for their own accounts.

Mr Patrick Neave, a business development manager at London Fox, said yesterday: "We are very optimistic that the move and the amalgamation will benefit our markets and give us the opportunity to examine new avenues for development both in Europe and elsewhere."

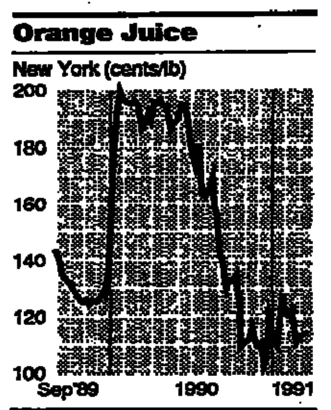
Fox has been looking for ways to expand its business away from its core contracts – cocoa, coffee and sugar. It is now trading several contracts, including both white and raw sugar, on its automated trading system, known as Fast.

Brazilian oranges caught in squeeze

Victoria Griffith on the impact of low prices and reduced sales

ORANGES AND frozen orange juice concentrate were once the pride of Brazil's commodities market. Thriving in a warm, sunny climate, the sector was perfectly positioned to take advantage of the shortage caused by frosts in Florida a few years ago. As orange prices soared, so did the profits of orange farmers and juice magnates in Brazil.

But those days are over. Faced with plummeting prices, a soft consumer market in the US and price freezes at home, Brazilian oranges are getting squeezed not only at the juice plants. Florida's fat harvest this year will mean a serious loss of market share for Brazil in its main outlet – the US. Mr Roberto D'Andrea, director of marketing for juice exporter Citrosuco, predicts a reduction in exports to America of at least 10 per cent.



Faced with a shrinking US market and soft prices, the sector is predicting a significant drop in Brazilian production in 1992. "Our projections for production have been reduced," says Mr Jose Carlos Goncalves, president of the Brazilian Association for the Citrus Juice Industry: "Farmers who didn't invest in productivity during the fat years will be hardest hit, and the more inefficient growers may move out of the market altogether."

With production rising in Florida, the decline may not be enough to boost prices. However, it could exert a stabilising influence.

If the Brazilian orange juice manufacturers want to maintain their supply sources, they may need to make some major concessions to growers. "I think industry is ready to cut a deal with the farmers," says Mr Pedro de Camargo Neto, president of the Brazilian Rural Society. "If they don't, they won't have any industry left."

Industry and growers are in the middle of heated negotiations at the moment regarding pricing of the new crop.

The announcement of the Collor administration's latest economic plan last month dealt another blow to the sector. With the elimination of inflation indexation, manufacturers said it had become more difficult than ever to draft a viable agreement with producers. "We want to use a private inflation index now," says Mr Goncalves, "but we don't know if the government will let us."

Despite all the bad news, there is some reason for optimism. Although Florida oranges are stiff competitors in the US, where they are protected by hefty import tariffs, they present little threat in other markets.

With orange prices likely to stay low for some time, the Brazilian orange sector can expect to make money less easily than it has in the past. But market players insist the sector remains viable.

"We can make money on oranges even at a price of $1.15 (per lb of orange juice concentrate)," says Mr Italo Tarrico, a Brazilian grower. "What the industry needs is a willingness to cut profits on both sides, the growers and the manufacturers. But in the end, there's no better place to grow oranges than in Brazil."

Coffee price outlook 'positive'

By David Blackwell

THE OUTLOOK for arabica coffee prices over the next few months is positive, reflecting good roasting levels and falling production, according to E.D. & F. Man, the London brokers.

New supplies of quality coffee are limited – the Mexican and Central American crops for 1990-91 are small, while Brazil is heading for only an average crop. At the same time world demand is good, says Man in its latest crop report. US consumption last year, at 18.95m bags (60 kg each), was more than 1m bags higher than two years previously, while German demand had risen by 9 per cent following reunification.

But before getting over-enthusiastic about price prospects it should be noted that roaster cover is good, and consumer stocks are still high. Man estimates world consumer stocks at 17.6m bags at the end of January, or about 12½ weeks supply. Normal pipeline stocks range between 9m and 10m bags.

Nevertheless, stocks have been falling. In Europe, stocks fell by 500,000 bags between October and January, but the moderate level of the decline masks a significant change in the composition of the stocks. Robusta stocks probably rose by between 1m and 1.5m bags, while arabica stocks fell by up to 2m bags.

The fact that the quality of the remaining surplus is generally not good is particularly important in Europe, Man points out, because the European washed arabica futures contract launched on the London Futures and Options Exchange (Fox) at the beginning of the month needs tenderable quality coffee to enhance liquidity.

"In the first few days of trading turnover has been light. The past crop coffees held in Europe are generally not good enough to pass grading, but as more new crop coffee arrives and is graded, turnover should perk up," says Man, which believes the Fox contract should be a "valuable trading tool".

Australia rejects wheat price support plea

By Kevin Brown in Sydney

THE AUSTRALIAN government yesterday rejected calls from the wheat industry for subsidies to support the incomes of farmers hit by falling world prices.

The government rejected a request from the Grains Council of Australia for a guaranteed price of A$151 (£63) a tonne for next season's crop, but approved a A$100m increase in the council's borrowing limit to allow it to make advance payments to growers.

Mr John Kerin, the Primary Industries Minister, said he was aware of the serious losses suffered by many farmers, and promised additional assistance under the Rural Adjustment Scheme, which helps farmers cope with changing market conditions.

However, the government is believed to have been concerned that a guaranteed minimum price would undermine Australia's campaign against US and European Community wheat subsidies. Ministers would also have found it difficult to approve subsidies for the wheat industry shortly after abolishing the minimum price scheme operated for 17 years by the Australian wool industry.

The rejection of the growers' request follows the failure of a bipartisan Australian trade mission to Washington, which sought the abolition of US export enhancement payments which Canberra says are distorting world prices. Australia is also campaigning in the resumed negotiations on the Uruguay Round of the General Agreement on Tariffs and Trade for an end to EC agricultural subsidies.

The Australian Bureau of Agricultural and Resource Economics has forecast a wheat price of A$158 per tonne next season, following A$120 this year, but many growers fear prices will rise less sharply, if at all.

Mr Mitch Hooke, the grains council's deputy director, said its proposals were "nothing more than having the government stand behind the industry in a time of crisis, to inject some confidence." He warned that growers would react angrily if manufacturing industries were offered assistance in a statement on industry policy to be made today by Mr Bob Hawke, the Prime Minister.

The Grains Council says wheat planting for next season's crop is likely to be reduced by about 35 per cent unless the government agrees to guarantee prices.

Tin producers pin their hopes on market forces

By Lim Siong Hoon in Kuala Lumpur

CAUGHT IN the throes of a tin industry crisis and seeing little benefit from years of trying to regulate supply, the Association of Tin Producing Countries is looking to the market for guidance on its next move.

At the close of its 28th executive committee session in Kuala Lumpur last week there was still the customary optimism about the prospects for achieving a substantial fall in overhanging stocks. But that depends on fresh production falling by at least 9 per cent, from last year's 161,000 tonnes to 146,000 tonnes this year.

As well as the seven ATPC members the figures include output in Brazil, the biggest producer but not a member of the association, but exclude that in China, another big non-member producer.

Last year, the ATPC members produced nearly 100,000 tonnes, 2,000 tonnes short of the production ceiling, while Brazil and the rest of the world (excluding China) produced about 43,000 and 18,000 tonnes respectively.

The association's 1991 quota is 96,000 tonnes, but given the likelihood of a 3,000-tonne shortfall Brazil and the rest of the world need to produce no more than 53,000 tonnes.

Exports from China and sales from the US strategic stockpile are presumed to remain stable at about 18,000 tonnes and 3,000 tonnes respectively. It is hoped, therefore, that total fresh supply entering the market in 1991 will not exceed 167,000 tonnes.

If this proves to be the case and the ATPC's forecast of 180,000 tonnes for world-wide demand is correct, then overall stocks will be depleted by 28 per cent, from 45,700 tonnes last December to 32,700 tonnes by the end of this year.

All this can go wrong, of course; the ATPC's expectations were ruined last year when consumption dropped 5 per cent to 180,000 tonnes rather than the forecast 190,000 tonnes. So, far from falling to the hoped-for 37,000 tonnes, stock levels rose, despite substantial production cuts, mostly in Brazil.

Supply rationalisation, says Mr Redzwan Sumun, the ATPC's executive secretary, managed only to "hold on rather than deplete stocks".

This cannot be cheerful news because existing stock levels have forced prices to a four-year low, currently M$15 a kilogram ($5,480 a tonne) in the Kuala Lumpur market.

Despite official optimism, there is no knowing if ATPC producers can overcome their problems this year, a fact also recognised in their statement, which says the market's direction depends on how "certain key fundamentals move during the months ahead".

Those key fundamentals have to do with the great shake-up happening to mines around the world, with consumption levels in countries afflicted by recession and with the aftermath of the Gulf war, said Mr Redzwan. As the industry recession caused more mines to close and as stocks fell, prices might begin to edge upwards touching M$16 a kilogram by May, he suggested.

This is still conjecture. If prices fail to recover sufficiently over the next few months, the present crisis may claim one of its biggest casualties, ATPC member Australia. Permanent closure of its Renison mines, where a production halt was announced last week, could slash three-quarters or more from the national quota, 7,000 tonnes this year.

Members are scheduled to meet again in June, so market fundamentals – output, stock and consumption levels – over the interim would be watched carefully, said one official. It was an indication of ATPC's present dilemma: at what point should it give up with supply rationalisation efforts that, after four years, are showing almost negligible gains?

UK timber trade in environmental link

By David Blackwell

THE WORLD Wide Fund for Nature has linked with the UK timber trade in a joint move towards encouraging sustainable logging in the rain forests.

A joint statement issued last week with the Timber Trade Federation broadly committed the organisations to sustainable, environmentally-sound management of forests worldwide.

The organisations agreed to "work independently and together to focus international and national attention on those productive forests, linked with international trade, which are in danger of imminent degradation or destruction for any reason."

The WWF has set 1995 as a target date for sustainable timber production. It believes that timber importers have "a pivotal role and responsibility" in attaining the target.

The Timber Trade Federation, along with its affiliated Forests Forever Campaign, said it could encourage both members and non-members to make every effort to identify sources of supply. It would call for forest management programmes, and buy from suppliers committed to sustainable timber resources wherever possible.

Mr Terence Mallinson, president of the TTF, said the two organisations were both aiming to protect the rain forests, but with different motivations. The TTF wanted continued availability of top quality and economically viable timber supplies.

Mr Francis Sullivan, WWF's forest conservation officer, said the agreement provided "the foundation for the constructive changes that are essential for the sustainable management of tropical forests."

● Friends of the Earth claims that 30,000 postcards had been sent to the UK's Overseas Development Administration in a campaign demanding tougher action on the trade in tropical timbers.

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC PRICES slipped below $1,200 a tonne again on the London Metal Exchange yesterday in a continued reaction against the recent rise above $1,220. Dealers noted that failure to break through resistance at that level had encouraged liquidation of long positions in the market and added that yesterday's $21 fall in the cash contract to $1,190 a tonne was influenced by the weakness of the copper market. Cash copper's £8 fall to £1,293 a tonne represented a breach of support around the $2,400 a tonne level. Dealers said it reflected bearish fundamentals, slack demand and high stocks. The only LME contract to gain ground yesterday was lead, which reached a fresh three-month high with cash metal gaining £6 to £334 a tonne. Dealers said the rise could be largely attributed to sterling's continued weakness against the dollar. At the London bullion market gold prices were dragged lower as the silver market surrendered some of last week's sharp advance. "Silver is extremely vulnerable at current levels," commented one New York trader. "I'm not seeing any quality buying, and there's no follow through interest today from the funds."

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.05-4.25t	-0.375
Brent Blend (dated)	$18.65-8.85	-0.475
Brent Blend (Apr)	$18.30-8.55	-0.30
W.T.I. (1 pm est)	$19.05-9.10t	-0.40
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$246-248	-4
Gas Oil	$170-172	-12
Heavy Fuel Oil	$70-72	-1
Naphtha	$190-202	-12.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$365.05	-4.35
Silver (per troy oz)♣	414.50c	-2.00
Platinum (per troy oz)	$415.50	+7.75
Palladium (per troy oz)	$88.25	
Aluminium (free market)	$1520	-10
Copper (US Producer)	115.75c	+0.25
Lead (US Producer)	35c	
Nickel (free market)	395c	+6
Tin (Kuala Lumpur market)	14.89r	-0.02
Tin (New York)	259c	+1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.81p	-0.07*
Sheep (dead weight)†	165.00p	+14.2*
Pigs (live weight)†	87.53p	+1.12*
London daily sugar (raw)	$231.8w	-4.4
London daily sugar (white)	$311.0w	-3.0
Tate and Lyle export price	£232.0	-1.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£172	
Wheat (US Dark Northern)	£94.5	+1.5
Rubber (Apr)♥	48.25p	+0.25
Rubber (May)♥	49.75p	+0.25
Rubber (KL RSS No 1 Apr)	229.0m	+1.0
Coconut oil (Philippines)§	$375q	+10
Palm Oil (Malaysian)§	$360x	
Copra (Philippines)§	$240.0	
Soyabeans (US)	£152.0	+4.0
Cotton "A" index	84.05c	-0.10
Woolops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-May/Jun. t-Apr. w-Mar/Apr z-Jan/Feb. x-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	202.60	205.60	208.20	201.00
Aug	202.00	203.80	204.80	200.20
Oct	198.60	198.00	200.80	195.60
Mar	202.00	202.00	201.80	
May	196.60	198.00	192.60	190.00
Aug	195.60	198.60	190.00	
White	**Close**	**Previous**	**High/Low**	
May	259.0	265.0	264.0	256.2
Aug	267.0	263.0	261.5	257.0
Oct	273.5	277.5	275.5	273.0
Dec	269.0	273.0	268.2	268.0
Mar	267.0	268.0	270.5	265.0

Turnover: Raw 1390 (1067) lots of 50 tonnes. White 1134 (822)
Paris- White (FFr per tonne): May 1618, Aug 1618, Oct 1488.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	18.50	18.81	18.52	18.00
May	17.85	17.98	17.70	17.20
Jun	17.10	17.31	17.20	16.75
Jul	16.90	17.18	16.80	16.60
Aug	16.85		16.85	16.65
Sep	17.00		17.00	16.80
IPE Index	18.67	18.11		

Turnover 24081 (18066)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Mar	175.00	177.25	175.00	168.25
Apr	163.00	167.00	165.00	158.00
May	158.00	160.50	158.00	156.00
Jun	155.00	158.00	157.00	154.25
Jul	155.25	155.50	156.00	154.25
Aug	158.75	163.00	160.00	155.25
Sep	160.00	160.00	163.00	158.25
Oct	165.00	169.00	165.00	
Nov	162.50	165.00	162.50	

Turnover 22357 (13377) lots of 100 tonnes

TEA

There was a better demand, bright liquoring and colouary medium East Africans were well supported and generally moved 2 to 4p dearer, sometimes more, including many plainer sorts, reports the Tea Brokers' Association. Dusts were however, rather weak. Central Africans remained about steady. Ceylons met improved competition and frequently gained 3 to 5p. In the offshore section brighter East Africans were often 3 to 5p up but medium tended lower. Central Africans followed a similar pattern with plainer sorts 3 to 5p down. Quotations: quality 220p nominal, medium 103p, low medium 81p

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	645	654	657	643
May	669	680	681	666
Jul	687	705	706	694
Sep	717	723	725	716
Dec	742	747	750	740
Mar	769	773	770	765
May	790	792	790	787

Turnover: 3821 (10081) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 8 891.71 (889.84) 10 day average for Mar 11 869.73 (864.85)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Mar	528	533	536	526
May	549	555	556	545
Jul	564	570	574	560
Sep	582	588	585	578
Nov	600	605	603	594
Jan	614	623	619	615

Turnover: 3068 (10081) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 8: Comp. daily 72.76 (74.31). 15 day average 72.61 (72.57)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	129.0	131.0	131.0	128.4
May	163.0	166.8	165.0	162.5

Turnover 127 (149) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	119.00		119.00
Jun	118.00	114.50	118.00
Aug	118.00	117.00	118.00
Oct	123.00	120.50	123.00

Turnover 150 (201) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1715	1715	1715	1710
Apr	1560	1560	1552	1535
Jul	1167	1175	1165	1160
Oct	1264	1270	1265	
BFI	1763	1763	1763	

Turnover 190 (545)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	129.15	128.75	128.65	
May	131.90	131.95	131.90	131.20
Jun	134.05	134.00	133.95	133.35
Sep	110.00	110.00	110.25	110.20
Nov	113.10	112.70	113.00	
Barley	**Close**	**Previous**	**High/Low**	
Mar	118.15	116.90	118.00	
Nov	121.40	121.75	121.40	

Turnover: Wheat 257 (155), Barley 8 (46). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	110.5		110.5
Jul	110.5		110.5
Aug	110.5		110.5
Sep	110.5		110.5
Oct	110.3	110.0	110.5

Turnover: 28 (19) lots of 3,250 kg

MGSI – London FOX

	Close	Prev.	High	Low	Vol
Index	155.25	155.95			
Mar	155.80	157.30	155.60		105
Apr	156.00	156.50	157.10	156.00	15
May	156.30	157.30	156.20		204
Jun	156.50	157.40	157.40	156.50	6
Sep	156.20	157.40	157.20	156.50	31

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 11,135 lots
Cash	1505-6	1530-2		1516-7		
3 months	1537-8	1561-2	1562/1537	1548-9	1537-8	53,174 lots
Copper, Grade A (£ per tonne)						Total daily turnover 13,898 lots
Cash	1292.5-3.5	1300-2	1300/1294	1299-9.5		
3 months	1303.5-4.5	1307-9	1320/1303	1310-1	1306-6.5	98,451 lots
Lead (£ per tonne)						Total daily turnover 3,171 lots
Cash	333.5-4.5	327-9	334.5/328	327.5-8		
3 months	344-4.5	338-9	345/338	338-8.5	345-6.5	14,311 lots
Nickel ($ per tonne)						Total daily turnover 1,215 lots
Cash	8515-25	8600-30	8540/8520	8520-30		
3 months	8500-10	8575-600	8525/8490	8500-1	8500-20	7,315 lots
Tin ($ per tonne)						Total daily turnover 1,182 lots
Cash	5540-50	5570-80	5560/5555	5555-60		
3 months	5640-50	5665-75	5660/5650	5655-60	5650-60	6,038 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 2,983 lots
Cash	1189-91	1210-2	1203/1197	1197-8		
3 months	1188-90	1206-7	1203/1186	1197-8	1186-7	19,609 lots

LME Closing £/$ rate:
SPOT: 1.8580 | 3 months: 1.8321 | 6 months: 1.8163 | 9 months: 1.7996

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	365.80-366.30	
Opening	370.00-370.50	
Morning fix	369.25	198.468
Afternoon fix	365.85	197.064
Day's high	370.10-370.60	
Day's low	364.80-365.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.53	6 months	5.21
2 months	5.44	12 months	5.12
3 months	5.38		

Silver fix	p/fine oz	US cts equiv
Spot	223.95	417.00
3 months	230.85	423.95
6 months	237.10	430.65
12 months	249.00	445.00

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	367.00-368.00	197.25-198.25
Maple leaf	378.00-379.00	203.75-204.25
New Sovereign	89.00-90.00	48.00-48.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	May	Apr	May
1400	121	134	2	5
1500	42	56	22	28
1600	7	16	86	87
Copper (Grade A)	**Calls**		**Puts**	
2300	108	116	8	24
2400	41	56	41	63
2500	9	23	109	127
Coffee	**May**	**Jul**	**May**	**Jul**
500	52	71	4	7
550	20	37	22	22
600	5	17	57	53
Cocoa	**May**	**Jul**	**May**	**Jul**
600	72		4	
650	35	55	17	19
700	14	37	17	41
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	10		55	210
2000		30		
2100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	364.7	369.7	0	0
Apr	366.2	371.2	371.0	364.8
May	367.8	372.8	0	0
Jun	369.2	374.3	374.3	368.2
Aug	372.3	377.5	377.5	371.7
Oct	375.6	380.8	380.0	377.4
Dec	373.1	384.3	383.7	378.4
Feb	382.8	388.0	384.4	384.4
Apr	386.3	391.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	412.3	411.4	416.5	410.0
Jul	416.5	415.3	420.8	414.5
Oct	420.8	419.2	425.0	417.6
Jan	424.3	422.7	427.0	425.5
Apr	429.1	427.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	407.0	416.5	419.0	404.0
Apr	408.5	418.2	0	0
May	411.0	420.7	422.9	408.5
Jul	416.0	428.2	428.5	413.5
Sep	421.0	431.4	431.0	419.0
Dec	428.6	439.2	441.0	426.0
Jan	430.8	441.4	0	0
Mar	436.7	447.6	449.0	434.0
May	442.4	453.4	0	0
Jul	448.1	459.2	453.5	453.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	109.90	111.80	111.50	109.80
Apr	108.75	110.85	109.90	108.70
May	107.50	109.85	109.40	107.20
Jun	106.75	108.75	107.00	106.50
Jul	106.00	107.75	107.20	105.70
Aug	105.55	107.10	0	0
Sep	105.10	106.45	105.60	105.10
Oct	104.65	105.90	105.00	105.00
Nov	104.25	105.40	104.80	104.80
Dec	104.00	105.00	105.00	104.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.18	19.31	19.23	18.75
May	18.80	19.02	18.89	18.46
Jun	18.58	18.80	18.65	18.30
Jul	18.43	18.60	18.46	18.16
Sep	18.43	18.57	18.46	18.15

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5500	5539	5540	5430
May	5245	5264	5265	5160
Jun	5120	5135	5125	5030
Jul	5100	5120	5110	5015

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1144	1154	1142	1142
May	1154	1183	1175	1150
Jul	1182	1213	1202	1180
Sep	1214	1240	1228	1211
Dec	1247	1275	1262	1247
Mar	1282	1309	1291	1280
May	1312	1331	0	0
Jul	1345	1358	1345	1343

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	90.90	91.45	92.00	90.65
May	92.60	93.25	94.05	92.55
Jul	94.65	95.05	95.95	94.60
Sep	96.75	96.95	97.50	96.75
Dec	99.50	99.70	100.20	99.60
Mar	102.85	103.75	102.00	102.00
May	104.50	105.50	0	0
Jul	106.75	107.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.21	9.30	9.38	9.05
Jul	8.85	8.96	8.97	8.76
Oct	8.62	8.60	8.75	8.55
Mar	8.31	8.36	8.50	8.28
May	8.34	8.35	8.53	8.35
Jul	8.43	8.40	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	83.62	84.43	84.28	83.50
Jul	83.27	83.95	84.00	83.25
Oct	71.70	71.86	72.15	71.70
Dec	67.85	68.01	68.20	67.60
Mar	68.40	68.65	68.65	68.65
May	68.90	69.15	69.20	69.10
Jul	68.97	69.03	69.20	69.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	113.55	116.05	116.40	113.25
May	113.20	114.30	114.60	112.70
Jul	113.35	114.65	114.75	112.90
Sep	113.00	114.25	113.00	113.00
Nov	112.00	113.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 11	Mar 8	mnth ago	yr ago
1710.1	1715.0	1672.1	1927.8

DOW JONES (Base: Dec. 31 1974. = 100)

	Mar 8	Mar 7	mnth ago	yr ago
Spot	127.18	128.01	121.87	133.23
Futures	131.21	130.87	127.57	134.33

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	586/0	600/2	596/6	585/0
May	594/6	609/4	606/0	594/0
Jul	608/4	622/6	619/4	607/4
Aug	614/0	627/6	624/2	613/4
Sep	616/4	629/0	626/4	616/4
Nov	626/0	637/4	635/4	625/4
Jan	637/0	649/2	646/2	636/4
Mar	649/0	659/4	657/0	649/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.44	22.87	22.82	22.40
May	22.68	23.12	22.99	22.65
Jul	23.01	23.54	23.35	22.97
Aug	23.05	23.62	23.40	23.05
Sep	23.18	23.72	23.58	23.18
Oct	23.21	23.70	23.47	23.21
Dec	23.48	24.02	23.75	23.48
Jan	23.50	24.12	0	0
Mar	23.65	24.25	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.9	172.1	171.6	167.8
May	170.2	174.7	174.4	170.1
Jul	174.2	178.2	178.0	173.9
Aug	175.9	179.7	179.4	175.7
Sep	177.5	181.0	181.2	177.5
Oct	179.0	182.5	182.0	178.8
Dec	182.0	185.1	185.0	181.5
Jan	182.0	185.2	184.0	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	248/2	247/6	248/2	245/4
May	254/4	257/0	257/4	254/0
Jul	261/4	265/0	266/0	261/2
Sep	262/4	265/4	265/2	262/4
Dec	263/6	268/2	266/2	263/4
Mar	271/0	273/2	272/6	270/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	271/4	275/4	274/4	270/0
May	280/4	283/4	282/2	279/4
Jul	289/6	292/6	292/0	289/0
Sep	298/0	300/6	299/6	297/4
Dec	311/0	315/0	313/4	310/2
Mar	318/4	322/4	320/4	317/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	81.72	81.90	82.02	81.52
Jun	77.82	77.87	78.02	77.70
Aug	75.50	75.55	75.65	75.35
Oct	76.55	76.65	76.62	76.37
Dec	76.80	76.85	76.80	76.60
Feb	76.55	76.57	76.60	76.48
Apr	76.95	77.00	76.85	76.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	54.15	54.87	54.60	53.70
Jun	58.40	58.87	58.60	58.15
Jul	57.37	58.02	57.75	57.15
Aug	54.37	54.82	54.70	53.85
Oct	48.92	49.25	49.25	48.70
Dec	47.95	48.17	48.10	47.90
Feb	47.47	47.65	47.60	47.25
Apr	46.00	46.00	46.10	45.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	65.47	67.30	66.50	65.30
May	65.70	67.35	67.00	65.50
Jul	65.35	66.82	66.50	65.30
Aug	64.00	65.55	65.40	64.00
Feb	59.90	61.70	61.65	59.90
Mar	60.60	62.00	0	60.60

هكذا من الاصل

LONDON STOCK EXCHANGE

Early improvement lost by the close

A DETERMINED start was made to the new trading account in the UK equity market yesterday, but the initial advance melted away after the Bank of England made it known that it had no wish to see domestic interest rates any lower just at the moment. However, with the City and the London money markets still convinced that rates will fall soon – perhaps on Budget Day, a week today – share prices remained firm and institutions continued to buy into second line stocks.

It was a somewhat uneven session with many leading share prices distorted at the opening by a heavy list of ex-dividend quotations, which included such blue chip issues as ICI, Glaxo, Midland Bank and Commercial Union. Some of the UK weekend press had followed up hints from City analysts that the stock market might have overrun itself in predicting an early recovery from the economic recession in the UK.

However, share prices soon turned upwards as traders decided to take note of the signal for lower interest rates in the US sent by the Federal Reserve on Friday evening. The UK market quickly extended its advance and showed a gain of nearly 29 FT-SE points by mid-morning.

The upswing soon crumbled, however, after the Bank made it clear to the London money markets that it did not want UK base rates to fall from the current 13 per cent level at present.

The gain in the Footsie was eroded and, with Wall Street in unimpressive form when it opened the new session with a rise of only 3.46 Dow points in UK time, the London market slipped steadily back towards its pre-weekend levels.

The final reading showed the FT-SE Index at 2,459.1, a gain on the day of 4.1 points. The loss of momentum in equities also reflected a dull performance by the FT-SE futures contract, which moved at one point to a discount against the underlying index.

Seaq volume remained relatively high, although yesterday's total of 537.7m shares showed a fall from 736.2m in Friday's session. Traders commented that institutions appeared to be still basically bullish of the market, and that marketmakers had been buyers of stock when the market eased back from its recent advance. Significantly, according to many traders, the institutions were aggressive buyers of many second line stocks.

Data from the Stock Exchange shows that retail interest in equities ran well above £1bn daily for most of last week, a significant indication of the underlying strength of the market.

Yesterday was the opening of a three-week equity trading account, always a difficult operation for the stock market and particularly complicated this time because of its proximity to the financial year-end. Many fund managers have yet to reach the equity investment quotas for the year promised to their fund trustees and must now struggle to meet the March 31 deadline: but marketmakers are more able to meet buying pressure without being forced into the market to buy stock on their own account, so the market is more evenly balanced than it has been for the past month.

Also restraining activity was the prospect today of the opening of dealings in PowerGen and National Power, the newly privatised electricity generating companies. These issues are regarded as highly important stocks for domestic investment portfolios, almost a mirror of the FT-SE 100 Index itself.

Account Dealing Dates

*First Dealings:	Feb 25	Mar 11	Apr 2
Option Declarations:	Mar 7	Mar 27	Apr 11
Last Dealings:	Mar 8	Mar 28	Apr 12
Account Day:	Mar 18	Apr 8	Apr 22

*New-time dealings may take place from 8.30 am two business days earlier.

Debut for the power twins

THE electricity distribution companies made strong progress in a utilities sector active ahead of today's market debut for the two UK power generators, National Power and PowerGen. Suggestions that the flotation could present a continental European group with an opportunity to acquire a big stake in one, with PowerGen put forward as a likely candidate, were offset by bearish comments by some UK analysts.

Dealings in the two generator concerns, labelled "gencos" by the market, start at 2.30pm in London, to coincide with Wall Street's opening.

Unofficial grey market prices for the gencos showed National Power quoted at 116p to 122p and PowerGen at 123p to 128p, compared with the 100p issue prices. Dealers and analysts said these prices would give yields in the region of 5.7 per cent, which would compare unfavourably with the electricity distribution companies (discos) with yields above 6 per cent. Ms Tressan MacCarthy, analyst at Panmure Gordon, described the discos as "less risky and with better yields".

Mr Alex Milne at BZW commented: "A strong after-market could provide a short-term selling opportunity, the discos give much better value." Hoare Govett said the generators "have been well received and institutions will be underweight".

Another specialist said that since Japanese and Continental institutions had been happy to bid up to 131p for stock in the UK government's special tender offer for up to 16 per cent of the shares, then they would not fight shy of bidding aggressively in the market.

South West Electricity rose 10 to 199p and Southern added 8 at 188p, while Midland and East Midlands gained 7 each to 190p and 198p respectively. The Package gained 58 to £1948, after £1960.

ICI slips back

ICI fell quickly in brisk trading, although much of the mark-down visible on Seaq screens was the result of the stock going ex a 34p dividend. Sentiment was affected by a sell recommendation from UBS Phillips & Drew.

The broker believes the recession in the chemical industry will last longer than others have suggested. It said ICI's profits were unlikely to recover to 1989 levels before 1994 and the dividend would at best be maintained over the period. Mr Alastair Nisbet at UBS said the current share price already reflected a cyclical recovery. Given the risks of more disappointing results in the short term, and ICI's thin cover for the dividend, "the shares are overvalued".

ICI ended 13 down at 1031p ex dividend after a good turnover of 2.1m.

BAe retreats

Fears that British Aerospace, the UK's defence contractor, might lose out in the aftermath of the Gulf war left the shares lower. Concern surfaced after weekend comment on the contracts awarded by Saudi Arabia to US companies, reported to be worth some $18bn.

The market feels that government-to-government deals on the export front, such as BAe's Al Yamamah project with Saudi Arabia, could be threatened. Ex the dividend deduction of 16.1p per share, BAe closed 14 lower at 630p.

Reuters was again one of the best performers of the day among FT-SE 100 stocks, climbing 30½ to 900p ex-dividend. Henderson Crosthwaite reiterated its recent buy recommendation but suggested that investors also consider Eurobonds convertible into Reuters shares. Mr Brian Newman at Henderson said that after yesterday's ex-dividend date Reuters yielded 2.2 per cent. A 9.1 per cent yield is available on Daily Mail 8¾ per cent bond, 6.6 per cent on Associated Newspapers 6 per cent bond and 7.3 per cent on the United Newspaper 8 per cent preference share. All three saw good demand yesterday.

The prospect of the long-awaited ADR listing for Grand Metropolitan tomorrow, and a buy recommendation from a large New York broker, helped the shares advance 23 to 771p. Turnover was a busy 5.5m.

Standard Chartered was the star performer among banks, with the shares chased higher ahead of today's preliminary figures. Dealers said the market had already accepted the need for the bank to cut its dividend and was looking for profits in the region of £150m, compared with last year's £67.1m, a figure after £165m-worth of exceptionals. Standard rose 11 to 329p.

More speculation that a bid from a Continental and/or Japanese group could be on the way drove Kleinwort Benson shares higher to end 10 up at 371p after touching 377p. Reports that France's Banque Indosuez might make an offer for Kleinwort emerged some weeks ago.

Banque Indosuez previously acquired a 22 per cent stake in Morgan Grenfell from Willis Faber but lost out to Deutsche Bank in an attempt to gain control of Morgan. A Smith New Court recommendation to switch out of Kleinwort into Schroders or S.G. Warburg boosted the latter 13 to 449p and Schroders 11 to 774p.

British Vita's annual results were in line with expectations. The shares, however, slipped 15 to 225p as a cautionary statement from the group caused some of the more optimistic profit estimates for the current year to be scaled back. Profit-taking in the wake of recent outperformance was also a factor, said a trader.

Switching out of Cable and Wireless into British Telecom after comment on the government's white paper (policy document) on the telecom duopoly helped BT to rise 5½ more to 337p but left Cable 13 lower at 520p. Specialists said Cable would run into heavy capital expenditure during the next two years in building up its Mercury telecommunications business.

Memec jumped 62 to 262p as it announced that it was in talks that might lead to a recommended bid of 270p a share. Analysts said an offer would probably be from overseas.

Amstrad moved up 4 to 76p on good turnover of 5.4m, helped by the launch in Germany this week of its new desktop computer.

Buy recommendations for TI Group in the wake of last week's results, which demonstrated that it can perform well in difficult markets, raised the shares 18 to 530p xd. Glynwed awaiting today's preliminary figures – analysts expect profits to be lower at around £70m.

Fife Indmar closed 10 up at 81p after announcing both higher profits and dividend.

Next fell 5 to 27½p on profit-taking and as Otto Versand, the German mail order company which has offered £151m for Grattan, Next's mail order division, stopped buying. Last week Otto increased its stake in Next to 9.9 per cent from 3 per cent. Sears, which has offered £155m for Grattan, added ½ at 94½p.

Carysfort, the record company, jumped 24 to 85p in the wake of a report suggesting that the company's management was considering taking it private. The directors of the company said yesterday they knew of no reason for the price rise "other than recent unfounded press speculation". In spite of this statement the shares closed at the day's highest level.

Last week's recommendation from brokers continued to help Ladbroke. The shares climbed 12 to 286p as a busy 5.7m changed hands.

A stream of small and medium-sized buy orders for Brent Walker failed to flush out any significant sellers. The often volatile shares were squeezed 24 higher to 85p.

WPP's rise accelerated as brokers and investors alike scoured the market for stock in response to recent figures and analysts' recommendations. The shares broke through £2 at one point before ending at 192p, a net 37 up on the day. The convertible preference shares, which have more than doubled in two weeks, added 3 at 48p, after 52p.

More O'Ferrall was subject to one of its periodic bouts of bid speculation based on a 4.99 per cent stake held by Dublin-based Independent Newspapers, which the latter acquired in November 1989. The former climbed 13 before closing a net 9 ahead at 281p.

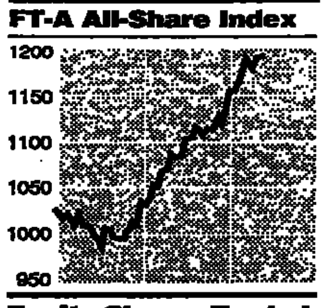
Specialist contractor Campbell & Armstrong was seen as a beneficiary of lower interest rates and the shares forged ahead 15 to 70p. The company, unlike its competitors, enjoys a solid balance sheet with low debt and good asset backing, said a dealer.

Comment from two investment houses gave fresh impetus to textile issues. S G Warburg favours Courtaulds Textiles, up 10½ at 341p xd, as a core holding, and Dawson International, 10 higher at 187p, for a dollar play. UBS Phillips & Drew is similarly optimistic and selects William Baird, 8 better at 263p, and Allied Textile, 2 firmer at 403p.

Financial services groups prospered behind rises to record levels in international equity markets. Unit trust leader M & G advanced 15 to 478p, while US-orientated fund management company Templeton Galbraith & Hansberger rose 18 to 260p. Harvey & Thompson, which derives the bulk of its income from pawnbroking activities, was particularly strong and closed 39 higher at 328p.

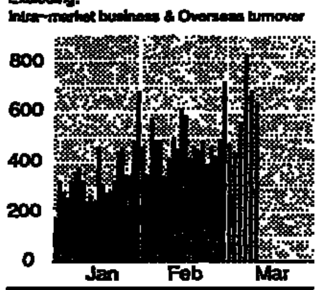
■ Other Market statistics, including the FT-Actuaries share index, Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (155).
BRITISH FUNDS (2) CORPORATION LOANS (1) AMERICANS (2) BANKS (3) BREWERS (5) BUILDINGS (6) CHEMICALS (1) STORES (13) ELECTRICALS (12) ELECTRICITY (11) ENGINEERING (7) FOODS (8) INDUSTRIALS (28) Airsprung Furniture, Baird (Wm), Baris, Baxter Intl. Inc., Betterware Consumer Prods., Bowater, Do. 7½pc Cnv. Prf., British Polythene 7½pc Prf., Capa, Capita, China Light, Cornwell Parker A, Creighton Naturally, De La Rue, Fisons, Hepworth, Hewitt (J), Inchcape, Kalamazoo, London Intl., MacFarlane, NMW Computers, Rank Organ. 6¼p (Net) Cnv. Cv. Rd. Prf., Tomkins, Do. 5.5pc Cnv. Prf., Do. 5¼pc Cnv. Prf., Vinten, Wolseley, INSURANCE (1) LEISURE (5) MOTORS (1) NEWSPAPERS (1) PAPERS (2) PROPERTY (2) SHOES (1) SOUTH AFRICANS (1) TEXTILES (1) TRANSPORT (1) TRUSTS (56) WATER (3) OILS (2) PLANTATIONS (1).
NEW LOWS (7).
BUILDINGS (1) INDUSTRIALS (1) Ibex, TRUSTS (2) MINES (3)

FINANCIAL TIMES STOCK INDICES

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.25	85.15	85.13	84.94	84.74	78.86	85.58 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.42	93.32	93.33	93.27	93.21	87.16	94.23 (19/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1956.2	1958.7	1950.6	1977.5	1946.0	1751.8	1977.5 (6/3/91)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	147.1	143.2	143.4	142.7	142.5	284.0	378.5 (8/2/90)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2459.1	2455.0	2437.7	2459.9	2420.1	2222.8	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 200	1128.31	1133.31	1127.13	1130.24	1105.10	-	1133.31 (8/3/91)	936.62 (18/1/91)	1133.31 (8/3/91)	936.62 (18/1/91)
Ord. Div. Yield	4.96	4.95	4.98	4.87	4.95	5.02				
Earning Yld %(full)	9.46	9.46	9.50	9.24	9.35	11.79				
P/E Ratio(Net)(*)	13.01	13.04	12.98	13.34	12.83	10.25				
SEAQ Bargns 4.45pm	44,348	32,221	51,556	56,857	36,710	23,176				
Equity Turnover(£m)†	-	1455.62	1364.2	1779.00	1290.69	856.78				
Equity Bargains†	-	53,455	55,035	58,682	39,828	24,395				
Shares Traded (ml)†	-	632.3	666.0	830.6	558.7	276.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 29/10/90. * = nil 12.57

Ordinary Share Index, Hourly changes — Day's High 1978.0 — Day's Low 1949.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1949.5	1961.6	1972.3	1970.0	1965.2	1965.0	1966.7	1964.6	1957.8

FT-SE 100, Hourly changes — Day's High 2479.6 — Day's Low 2447.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2447.8	2463.5	2475.4	2474.1	2467.2	2467.0	2468.3	2467.2	2460.5

FT-SE Eurotrack 200, hourly changes — Day's High 1139.14 — Day's Low 1128.22

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1138.74	1137.41	1134.17	1130.60	1131.28	1130.71	1130.25

GILT EDGED ACTIVITY

Indices*	Mar 8	Mar 7
Gilt Edged Bargains	96.4	102.6
5-Day average	97.7	99.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	310	117	-1	Courtaulds	288	386	-2	MEPC	145	533	-4	Smith (W.H.) A	602	372	+14
ASDA Group	3,200	138		Dalgety	285	389		Manpower	2,100	74	+2	Smith & Nephew	4,200	115	+½
Abbey National	2,400	282	-3½	Dixons	461	180	+2	Manweb	823	222	+3	SmKl Beecham	1,300	795	+9
Albert Fisher	6,000	130	+1	ECC Group	1,200	413	+5	Marks & Spencer	4,600	250	+3½	SmKl Beecham Uts.	25	3303	+73
Allied-Lyons	1,800	546	+6	Eastern Elect.	2,500	174	+5½	Maxwell Comms.	1,400	152	+4	Smiths Inds.	341	285	+3
Amstrad	5,400	76	+4	East Midland Elect.	1,100	198	+7	Midland Bank	4,000	198	+2½	Southern Elect.	2,600	198	+8
Anglian Water	586	305	+1	Enterprise Oil	103	605	-8	Midlands Elect.	724	190	+7	South Wales Elect.	400	222	+5
Argos	1,000	280	+5	Eurotunnel Units	584	501	-4	NatWest Bank	6,300	317	-3½	South West Water	108	316	+3
Argyll Group	2,200	284	+2	FKI	3,400	58	+½	Next	6,200	27½	-5	South West. Elect.	1,000	199	+10
Ass. Brit. Foods	76	479	+1½	Ferranti	7,500	17	+1	North West Water	235	310	+2	Southern Water	951	297	+4
BAA	601	414	-1	Fisons	3,700	474	+6	Northern Elect.	1,800	203	+4	Standard Chartd.	625	329	+11
BAT Inds.	1,800	712	+3	Gen. Accident	239	572	-6	Northern Foods	704	420	+4	Storehouse	821	119	+1
BET	1,200	155	+1	General Elect.	2,300	214½		Norweb	312	189	+6	Sun Alliance	1,400	381	+1
BICC	712	419		Glaxo	2,800	1003	+13½	Pearson	674	774	+17	Sun Life	0	1180	+3
BOC	1,100	588	+10	Glynwed Int.	602	279	+6	P & O	726	590	-9	T&N	767	199	+1
BPB Inds.	234	240	+1	Granada	1,500	187		Pilkington	747	187	-1	TI Group	383	530	+18
BTR	5,200	380	-2	Grand Met.	6,500	771	+23	Prudential	7,200	230	+3	TSB	3,900	155	+½
Bank of Scotland	1,500	141	+2½	GUS A	157	1238	+21	RHM	1,500	326	+2	Tarmac	827	267	+½
Barclays	6,600	451		GRE	2,100	220	+3	RMC	382	720	-4	Tate & Lyle	2,200	348	+7
Bass	641	1057	-8	GKN	1,200	365	+1½	RTZ	1,300	638	+3	Taylor Woodrow	3,000	271	
Beazer	4,000	154	-3	Guinness	1,300	854	+4	Racal	2,800	214	+4	Tesco	2,900	262	+4
Berisford Int.	3,700	33		Hammerson 'A'	405	659	+11	Racal Telecom	197	350	+5	Thames Water	1,000	307	+2
Blue Circle	375	285	-1	Hanson	6,100	230	+4½	Rank Org.	1,100	743	-1	Thorn EMI	233	754	+5
Boots	1,000	358	+1	Hanson Warrants	982	46½	+2	Reckitt & Colman	530	1364	-11	Trafalgar House	1,100	251	-5
Bowater	807	605	+19	Harrisons Crosfield	1,200	170	+2	Redland	286	656	+1	Trusthouse Forte	2,600	269	
Brit. Aerospace	1,700	630	-14	Hawker Sidd.	368	542	-3	Reed Intl.	804	427	+6	Ultramar	217	334	-3
British Airways	714	175	+3	Hillsdown	4,100	248	+6	Reg. Elect. Pkg Uts	9	£1948	+58	Unigate	1,000	326	+4
British Gas	5,300	255	+3	IMI	344	254		Reuters	1,200	900	+30½	Unilever	1,000	735	
British Land	664	318	+1	ICI	2,300	1031	-13	Rolls Royce	5,700	182	+2½	United Biscuits	737	371	
BP	5,200	344		Inchcape	1,100	325	+2	Rothmans	120	613		Utd. Newspapers	1,100	388	+18
British Steel	3,200	141	+1½	Kingfisher	967	441	+4	Ryl Bk Scotland	1,100	200	+1	Water Package Uts.	0	£3065	+12
British Telecom	5,600	337½	+5½	Ladbroke	6,000	286	+12	Royal Insurance	3,100	480	+2	Wellcome	498	515	+3
Bunzl	724	87		Land Securities	918	549	-3	Saatchi	8,000	23	-½	Welsh Water	264	333	+1
Burmah Castrol	143	583	+8	Laporte	751	581	-1	Sainsbury	2,300	349	+7	Wessex Water	244	358	-1
Burton	1,300	88	+½	Legal & General	495	492	-5	Scottish & New.	1,300	401	-1	Whitbread 'A'	1,700	485	-1
Cable & Wire.	2,100	520	-13	Lloyds Abbey	426	414	+5	Sears	2,600	94½	+½	Wiggins Teape	812	227	-1
Cadburys	1,000	370	+½	Lloyds Bank	1,400	357	-5	Sedgwick	1,400	245	+4	Williams Hldgs.	742	279	+5½
Calor Group	21	238		LASMO	444	378	-8½	Seaboard	365	185	+5	Willis Corroon	1,700	305	+4
Carlton Comms.	1,400	467	+18	London Elect.	1,800	180	+4	Severn Trent Water	1,400	290	+3	Wimpey	252	198	
Coats Viyella	665	148		Lonrho	1,200	242	+1	Shell Transport	2,600	484		Yorkshire Elect.	739	208	+6½
Comm. Union	711	528	+7	Lucas	1,600	166	-3	Siebe	378	418	+3	Yorkshire Water	174	313	+1
Cookson	1,000	137	-3	MB Caradon	2,700	215	-2	Slough Ests	225	258	+4				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

LONDON shares were led lower yesterday by equity futures, the March FT-SE 100 index contract trading below the spot index at one stage, indicating a less bullish outlook in the derivatives market.

Equity futures had begun with some of last week's optimism still lingering in the market. The March Footsie was trading 10 to 12 points above the spot index and set the pace for the stock market's morning rally.

With European markets generally weak and the Bank of England dampening expectations of an early cut in UK base rates, however, the market retreated and futures led the way.

The March FT-SE closed at 2,459, up 2 on the day and just 2 points above the spot index. After-hours' dealing was quiet and March closed at 2,459.

The traded options market had a quieter session, although Amstrad featured as a floor trader sold 1,500 June 70 calls, which was believed to be a hedge against stock purchases. Turnover in the FT-SE option index was lifted by trades on expectations of an increase in stock market volatility.

Reflecting the recent reduction in equity volatility, the London Clearing House has reduced margin payments on FT-SE futures contracts to £2,000 from £4,000 per contract.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	Low	Stock	Price £	+or-	Int. Yield	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990/91 High	Low	Stock	Price £	+or-	Int. Yield	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990/91 High	Low	Stock	Price £	+or-	Int. Yield	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990/91 High	Low	Stock	Price £	+or-	Int. Yield	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990/91 High	Low	Stock	Price £	+or-	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1990: 126.7 and for January 1991: 130.2.

INT. BANK AND O'SEAS

1990/91 High	Low	Stock	Price £	+or-	Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990/91 High	Low	Stock	Price £	+or-	Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990/91 High	Low	Stock	Price £	+or-	Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990/91 High	Low	Stock	Price £	+or-	Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990/91 High	Low	Stock	Price £	+or-	Int.	Red.
55	41	Met. Wtr. 3pc 'B'	[illegible]	[illegible]	5.66	9.70

FOREIGN BONDS & RAILS

1990/91 High	Low	Stock	Price £	+or-	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990/91 High	Low	Stock	Price	+or-	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990/91 High	Low	Stock	Price	+or-	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

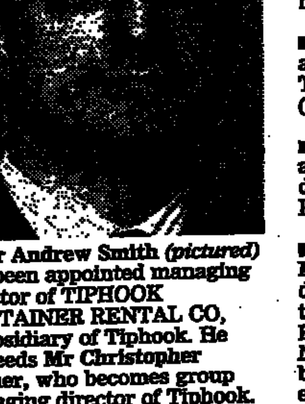
CANADIANS

1990/91 High	Low	Stock	Price	+or-	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Senior posts at Tiphook



■ Mr Andrew Smith *(pictured)* has been appointed managing director of TIPHOOK CONTAINER RENTAL CO, a subsidiary of Tiphook. He succeeds Mr Christopher Palmer, who becomes group managing director of Tiphook. Mr Smith was chief executive of the Gellatly Group, Europe and Africa division of Inchcape Shipping Services.

■ Mr Paul E. Breach has been appointed president of SEAGRAM EUROPE, based in London. He was area vice president for the UK/Benelux, and managing director, Seagram United Kingdom, and succeeds Mr Patrick J. Copeland who has resigned to pursue other interests.

■ SWISS BANK CORPORATION has appointed Mr Bahman Jahanshahi as a director within the structured finance group at its London office. He was with the Bank of Tokyo.

■ Mr David Winter has been appointed a main board director of N.G. BAILEY & CO, Ilkley, responsible for the major projects division. He was divisional director, Bristol branch.

■ Mr Alan Wilson has been appointed to the board of TULLETT & TOKYO (SOVEREIGN DEBT).

■ Mr Keith A. Hart has been appointed group finance director of COPE ALLMAN PACKAGING.

■ BBA GROUP has appointed Mr Ian Williamson as a divisional chief executive, and to the executive group board. He was managing director of Newage International, and will be responsible for a group of engineering companies.

■ WILLIS CORROON has appointed Miss Susan Ross as group tax and treasury manager from March 25. She was group treasurer of Reuters Holdings.

■ Mr Bernard Kelly has been appointed a non-executive director of STOCKHOLM & EDINBURGH INVESTMENTS, UK holding company for Trygg-Hanssa SPP's investment in London & Edinburgh Trust. Mr Kelly is chairman of Campbell Lutyens Hudson & Co, and a director of other companies, including Barnes Group Inc, and Phoenix Re in the US.

Electricity research

■ THE ELECTRICITY ASSOCIATION has appointed Dr Stuart Exell as managing director of its electricity research and development centre, Capenhurst, near Chester. He will also assume responsibility for the appliance testing laboratories at Leatherhead, and the farm electric centre at Kenilworth. Dr Exell is managing director of BBN UK, and takes up his new post on April 15.

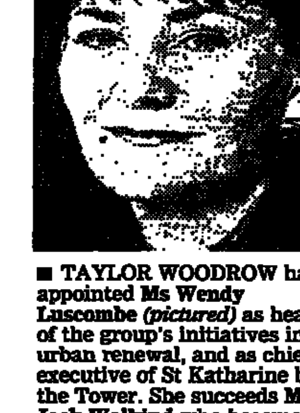
■ Mr James C.L. Richards, president of Southwire Company of Carrollton, Georgia, US, has been appointed an invited director of THE LONDON METAL EXCHANGE.

■ SEQUENT COMPUTER SYSTEMS has promoted Mr Peter O'Neill to UK sales director. He was London district sales manager.

■ Mr John Wilkinson, in addition to his role as managing director of Vine Products and Whiteways, has taken over as managing director of SHOWERINGS, succeeding Mr David Gwyther who is leaving to pursue other interests.

■ Mr James Freeland has been appointed deputy chairman of FIRST INTERNATIONAL CAPITAL, European arm of the First International shipping, finance and investment group. He retires as a director of H. Clarkson in April.

■ Mr Alexander D. Brunini has been appointed deputy managing director of ALBANY LIFE ASSURANCE CO. He is on a two-year secondment from parent company Metropolitan Life Insurance Co, New York.



■ TAYLOR WOODROW has appointed Ms Wendy Luscombe *(pictured)* as head of the group's initiatives in urban renewal, and as chief executive of St Katharine by the Tower. She succeeds Mr Jack Wolkind who becomes chairman of the London World Trade Centre.

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128.

LONDON SHARE SERVICE

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

هكذا من الاصل

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	675	......
Finlay Pkg. 5p β	31	......
Holt (Jos) 25p β	1320	......
Carrol (P.J.)	154	......
Heiton Hldgs. γ	48	–2
IRG	150	......
United Drug	165	......

IRISH

Cap. 8½% Ln. 1991	£99½	......
9pc Cap Ln. 1996	£98¼	......
Fin. 13% 97/02	£114½	......
Arnotts	160	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	39
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	30
Lucas Inds.	33
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A.	50
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils

Aviva Petlm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

هدية من الأصل

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	125.64	126.49	134.56	+1.1	0.36
Do Accum	6	137.34	138.27	147.09	+1.2	0.36
TSB Brit Growth	6	73 11	74.28	79 02	+0.4	3.37
Do Accum	6	80 83	82.12	87.36	+0 45	3.37
TSB European	6	73 75	74 11	78.83	-0 44	1.08
Do Accum	6	76.42	76 79	81 69	-0 46	1.08
TSB Extra Income	6	161 34	164 75	175.26	+1.12	5 05
Do Accum	6	232.68	237.6	252 76	+1.61	5.05
TSB Smaller Cos	6	42.93	44 54	47 38	+0.35	2.69
Do Accum	6	45 43	47.13	50.13	+0 36	2.69
TSB General	6	224 73	224 73	239.07	+1.01	3.59
Do Accum	6	419 32	419 32	446 08	+1.89	3 59
TSB Premier Income	5	44 1	44.71	46.57	+0.17	8 66
Do Accum	5	78.92	80.02	83 35	+0.31	8 66
TSB Income	6	303.32	308.59	328 28	+1.39	4 87
Do Accum	6	563.88	573.67	610.28	+2.17	4.87
TSB Pacific	6	217 89	221 54	235 68	+3.74	0.2
Do Accum	6	226.71	230 52	245 23	+3.9	0 2
TSB International	6	379.17	379 17	403 37	+1.15	0.8
Do Accum	6	486.36	486.36	517 4	+1.47	0.8
TSB Nat Resources	6	61 03	61 58	65 5	+0.8	1.05
Do Accum	6	66.2	66 8	71.06	+0.8	1 05
TSB Sicud Opps	6	79 1	80 84	85 99	+0 73	3.01
Do Accum	6	95.29	97.39	103.6	+0.88	3 01
Environmental Inv	6	46.41	46 80	49.79	+0.03	2.14
Do Accum	6	47.89	48 29	51 37	+0.03	2 14
TSB Selector	6	48.3	49 06	52 19	+0 3	3.95
Do Accum	6	49.77	50.56	53.78	+0.31	3.95
TSB High Income	6	51.33	52.21	55.54	+0 42	5 67
Do Accum	6	52 7	53.6	57 02	+0 43	5 67
TSB Intl Income	6	49.99	50 25	53.45	+0.17	6 64
Do Accum	6	49.99	50.25	53 45	+0.17	6.64
TSB Selector Income	6	50.5	51.08	54 33	+0.26	6.07
Do Accum	6	50 5	51.08	54.33	+0.26	6 07

Target Trust Mngrs Ltd (1600)F
Target Hse Gatehouse Rd, Aylesbury, Bucks.
Admin. 0296 394000 Dealing 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	72.96	72.96	77.73	+0 33	1.10
Australia	5	5 459	5.549	5.943	+0.06	4 49
Equity	5	162.8	162.8	174.5	+1.0	4.59
Euro Spec Sits	5	110.3	110.3	118.5	+0.3	0.58
Financial	5	29.22	29.35	31.56	+0.36	4.73

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charifund	101.00	101 00	-0.3	10 67
(Accum Units)	550 03	550.05	+1.7	10 67
NAACIF Mar 5	—	41.94	...	9.62

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Mar 5	125.0	133 9	...	2.93
UK Small Co † Mar 5	481 1	519.0	...	2.06
Fixed Interest † Mar 5	105.1	110.5	...	8.04
US Small Co Mar 5	131 4	140.3	...	0.00
Managed Mar 5	103.4	110.0	...	1.32
Intl Bond Mar 5	111.6	117.6	...	7 78
Japan Mar 5	68 98	73 74	...	0.93
European Mar 5	83.80	89 72	...	1.64
Nth American Mar 5	94 83	101.8	...	1 38

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Mar 6	45.56	47.37	...	3.20
Euro Expt Mar 6	49 92	52.42	...	2.23
Fixed Int Ex Mar 6	46 16	47 31	...	10 48
Japan Expt Mar 6	43.15	44 87	...	0 63
Managed Ex Mar 7	43.86	45 61	...	4.30
SE Asia Expt Mar 6	64.01	67.20	...	4.61
Sm Cos Expt Mar 6	31.52	33 09	...	4.49
UK Eqty Ex Mar 6	39.84	41.83	...	3.93

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Mar 6	688.9	732.6	...	4 86
Do Accum	773.8	822.8	...	4.86
Int Expt Mar 6	168.4	171 4	...	2.9
UK Index Mar 6	1152.0	1174 0	...	4.95
Do Accum	1232 0	1255 0	...	4.95
Convertible Mar 7	93.58	96.5	+2.5	7.77
World ex UK Index Mar 4	733.8	743.1	...	1.96
Do Accum	733 8	743.1	...	1.96
Japan Index Mar 4	577.2	585.2	...	0 5
Do Accum	578.6	586 6	...	0.5
USA Index Mar 4	878 7	884 4	...	3 17
Do Accum	900 4	906.1	...	3 17
Europe ex UK Index Mar 4	852.5	872.1	...	2.78

Allied Dunbar Assurance Plc – Contd.
Baring Funds

	Bid Price
Pen Eqs Cap	30 0
Pen Eqs Acc	33.2
Pen Am Eq Cap	32.7
Pen Am Eq Acc	36 2
Pen Far East Cap	28 4
Pen Far East Acc	31 4
Pen Euro Cap	39 5
Pen Euro Acc	43 7

James Capel Funds

	Bid Price
Pen Eqs Cap	28 9
Pen Eqs Acc	32.0
Pen Am Eq Cap	28.1
Pen Am Eq Acc	31 1
Pen Far East Cap	29 1
Pen Far East Acc	32.2
Pen Euro Cap	33.8
Pen Euro Acc	37 3

Ambassador Life Assce. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345
Equity Fund Acc 163 7

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LA 081-680 6000
Life Funds (Accumulation Units)
Premier Managed(z) 153 0
Alpha Managed(z) 98 1
HICA Managed(z) 93 0
Pension Funds (Accumulation Units)
Premier Managed(z) 184.5
Alpha Managed(z) 107 1

Avon Insurance Plc

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd.	102.8	108.2	+0.6	-
Pension Managed Fd.	99.8	105.1	+1.0	-
Life Deposit Fd.	105.1	110 7	+0.1	-
Pension Deposit Fd.	109.4	115 2	+0.1	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	108.7	118.8	+0.5	-
Managed Growth	133.9	146.4	+0.9	-
Managed Opportunity	130.1	143.0	+1.2	-
NFMC Target Financial	100.0	107.0	+0.5	-
Pension Funds				
Managed Cautionary	116.8	127.7	+0.3	-
Managed Growth	139.8	153.7	+0.9	-
Managed Opportunity	132.2	144.5	+1.0	-
NFMC Target Mngd Pen	1472.3	1600.4	+9.2	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	155.8	164 1	----	-
UK Equity	164.4	173.1	----	-
Overseas Equity	127.8	134.6	----	-
Fixed Interest	141.5	149.0	----	-
Property	130 4	137.3	----	-
Index Linked	144.7	152.4	----	-
Deposit	151.9	159 9	----	-
With Profits (B)	126 8	133.5	----	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	345.5	363.7	+2.2	-
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	154.5	163.5	+0.5	-
Accum Equity	218.5	231.0	+1.0	-
Accum Managed	224.5	237.0	+0.5	-
Accum Five Star	166 0	175.0	+0.5	-
Accum World	120.0	127.0	+0.5	-
Accum Lifetime	111 1	111.1	+0.4	-
Pens Acc Equity	237.5	250.5	+0.5	-
Pens Acc Managed	279.5	294.5	+0.5	-
Pens Acc Intl	203.5	214.5	+0.5	-
Pens Acc Deposit	193.0	203.5	....	-
Pens Acc Five Star	181.0	191.0	+1.0	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc.	224.0	236.3	+0.4	-
UK Fixed Int Acc	168 8	178.1	+0.1	-
Intl Equities Acc	171.2	180 6	+2.3	-
UK Managed Acc	171.2	180.5	+0.5	-
Property Acc	225.2	237.6	-0.1	-
Money Acc.	126.5	133 5	+0.1	-
Special Market Acc.	127.5	134 5	+0.9	-
Japan Equity Acc.	102.3	108.0	+0.3	-
North American Acc.	100.1	105 6	+0.7	-
Pacific Acc.	88.2	93.1	+0.9	-
Technology Acc.	109.2	115 2	+2.1	-
Nat. Resources Acc.	54 3	57.3	+1.3	-
European Acc.	100 1	105.6	+0 7	-
Residential Prop Acc.	95 7	101.0	---	-
Swiss Equities Acc.	34.3	36.2	....	-
Hong Kong Acc.	58.0	61.2	+0.9	-
UK High Inc Eq Acc.	74.9	79 1	+0.1	-
Int Fixed Interest Acc.	54 9	58.0	+0.1	-
Int Managed Acc.	55.2	58.2	+0.4	-
HIP Managed Acc.	109.6	115 6	+1.1	-
HIP Managed II Acc.	96.6	101.8	+0.5	-
HIP Managed III Acc.	-	-	....	-
Total Investment Bond				
UK Equity Initial		153.0	+0.3	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks try to cap dollar

CO-ORDINATED CENTRAL bank intervention did little to cap enthusiasm for the dollar yesterday. One month ago the US currency hit a record trading low of DM1.4430 and when the German Bundesbank intervened to sell dollar's yesterday morning it was 14 pfennigs higher at DM1.5830.

This action, made in concert with other European central banks, brought the dollar back to around the DM1.5800 level. There were further rounds of intervention involving European central banks, with the US Federal Reserve also selling dollars when the New York market opened. The Fed was reported to have sold its currency at around DM1.5760, but the dollar soon surged back up, prompting further Fed intervention at DM1.5790.

At the London close the dollar was only slightly below its earlier Tokyo finishing levels of DM1.5840 and Y138.05 despite the action of central banks. There was no sign of direct intervention by the Bank of Japan in Tokyo, but dealers reported buying of yen against the dollar later in London by the Bank of England on behalf of the Japanese central bank.

In London the dollar rose to DM1.5795 from DM1.5630; to Y138.00 from Y136.20; to SFr1.3705 from SFr1.3640; and to FFr5.3800 from FFr5.3350. On Bank of England figures the dollar's index rose to 63.2 from 62.8.

Traders remained enthusiastic about the dollar after its strong performance on Friday following disappointing US employment data and an apparent easing of the Fed's monetary stance. The market sees US interest rates as nearing a low in the present economic cycle and expects a US recovery from recession now that the Gulf war is over.

This contrasts with the situation in Germany, where the problems of unification continue to weigh on the economy, while there is growing concern about economic collapse and political unrest in the Soviet Union.

A major beneficiary from the nervousness surrounding the D-Mark was the Swiss franc. Interest rates in Zurich have climbed since the Swiss National Bank drained liquidity last week. The Swiss authorities sold dollars against the Swiss franc yesterday and this coupled with tighter monetary policy and uncertainties surrounding the D-Mark pushed the Swiss unit up to DM1.1535 from DM1.1460.

Sterling lost ground with other European currencies against the dollar, but also had a slightly softer tone overall. Dealers noted intervention by the Bank of England as the pound slid to a low of $1.8490. Sterling finished slightly above this level, losing 2.10 cents on the day to close at $1.8510. The pound also declined to DM2.9225 from DM2.9250; to FFr9.9575 from FFr9.9675; and to SFr2.5375 from SFr2.5525, but rose to Y255.50 from Y255.00. Its index fell 0.2 to 93.4.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.627	-4.49	6.09	78
Italian Lira	1538.24	1532.61	-0.36	1.74	28
Belgian Franc	42.4582	42.2494	-0.49	1.54	24
D-Mark	2.05586	2.05156	-0.21	1.49	16
Dutch Guilder	2.31643	2.31270	-0.16	1.49	9
Irish Punt	0.767417	0.770528	0.37	0.95	-7
Danish Krone	7.84195	7.88247	0.52	0.88	-15
Sterling	0.696904	0.701025	0.59	0.73	-12
French Franc	6.89509	6.98835	1.32	0.00	-64

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar.11	Latest	Previous Close
Spot	1.8515-1.8525	1.8635-1.8645
1 month	1.02-1.00pm	0.97-0.95pm
3 months	2.62-2.59pm	2.64-2.60pm
12 months	7.62-7.52pm	7.70-7.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.11	Previous
8.30 am	93.5	93.5
9.00 am	93.5	93.5
10.00 am	93.5	93.6
11.00 am	93.5	93.6
Noon	93.5	93.7
1.00 pm	93.5	93.6
2.00 pm	93.4	93.5
3.00 pm	93.4	93.5
4.00 pm	93.4	93.6

CURRENCY MOVEMENTS

Mar 11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.4	-18.6
U.S Dollar	63.2	-16.2
Canadian Dollar	103.2	+1.3
Austrian Schilling	110.2	+12.3
Belgian Franc	112.0	-1.6
Danish Krone	110.3	+4.7
D-Mark	119.4	+25.6
Swiss Franc	111.8	+19.7
Dutch Guilder	114.8	+16.5
French Franc	103.7	-12.7
Lira	100.1	-19.0
Yen	130.2	+64.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Mar.8

CURRENCY RATES

Mar 11	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.744846	0.701025
U.S Dollar	6.00	1.40031	1.30440
Canadian $	9.97	1.62660	1.51219
Austrian Sch	7	15.3222	14.4345
Belgian Franc	10.50	44.8904	42.2494
Danish Krone	9½	8.37245	7.88247
D-Mark	6.50	2.17958	2.05156
Dutch Guilder	7.75	2.45684	2.31270
[illegible]	[illegible]	[illegible]	[illegible]

* European Commission Calculations. † All SDR rates are for Mar.8

MONEY MARKETS

London rates slide

INTEREST RATES continued to slide on the London money market yesterday, despite a signal from the Bank of England that an early cut in bank base rates would not be welcome.

The market is pushing hard for lower rates and expects to be rewarded around the time of next week's budget, but on the last two working days the authorities have indicated caution by lending funds at the existing base rate of 13 per cent. These facilities will still be outstanding after the budget on March 19.

UK clearing bank base lending rate 13 per cent from February 27, 1991

Three-month interbank fell to 12¼-12⅛ from 12⅜-12¼ per cent, while 12-month money declined to 11⅝-11½ from 11¾-11⅝ per cent.

The optimistic mood was also illustrated by short sterling futures on Liffe. March will be delivered one day after the budget and at yesterday's price discounted a three-month interbank rate of 12¼ per cent at that time. It rose to 87.75 from 87.63. The price of the most active month of June advanced to 88.87 from 88.79, pointing towards a three-month rate of 11⅛ per cent at delivery.

Day-to-day credit was in more comfortable supply than of late on the money market, but the Bank of England attempted to dampen any euphoria by not offering to buy bills and not supplying enough assistance to take out the full underlying shortage.

A shortage of £200m was initially forecast and at that time the authorities said that help would only be supplied by loans to the discount houses in the afternoon. The shortage was revised to £300m, but the central bank lent only £45m to the market at 13 per cent for 14 days.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £566m, with exchequer transactions absorbing £210m. These outweighed a fall in the note circulation adding £575m to liquidity.

In Frankfurt call money was steady at 8.75 per cent. Trading was quiet, with the domestic money market showing no reaction to news of intervention by the Bundesbank to defend the D-Mark.

An injection of funds to offset an expiring securities repurchase agreement is scheduled for this week. The Bundesbank is expected to announce a fixed rate tender for one-month money at an unchanged 8.50 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.11) 3 months US dollars		6 months US Dollars	
bid 6⅞	offer 6⅞	bid 6½	offer 6⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	9	One month	6.01	Three year	7.31
Broker loan rate	8½	Two month	6.07	Four year	7.54
Fed funds	6⅞	Three month	6.09	Five year	7.74
Fed funds at intervention	-	Six month	6.21	Seven year	7.99
		One year	6.38	10-year	8.12
		Two year	7.08	30-year	8.30

Mar.11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.75-8.90	8.80-8.95	8.85-9.00	8.90-9.05	9.00
Paris	9¼-9⅜	9¼-9⅜	9⅜-9½	9¼-9⅜	9⅜-9½	9.25
Zurich	7⅝-7⅞	8⅝-8¾	-	8⅝-8⅞	-	-
Amsterdam	9.05-9.20	8.95-9.05	-	8.97-9.07	-	-
Tokyo	8⅛-8⅜	8⅛-8⅝	-	7⅞-8⅛	-	-
Milan	13⅛-13⅝	13-13⅝	-	12⅞-13⅛	-	-
Brussels	8.75-8.12	9⅛-9¼	-	9⅛-9¼	-	-
Dublin	10⅝-10⅞	10⅞-11	10⅞-11	10⅞-10⅞	10½-10¾	-

LONDON MONEY RATES

Mar 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	25	13⅛	12⅜	12⅜	11⅞	11⅝
Interbank Bid	12¾	12⅞	12⅝	12¼	11¾	11½
Sterling CDs	-	-	12⅜	12⅛	11⅞	11½
Local Authority Deps.	12⅞	12⅞	12⅜	12⅛	11⅞	11⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps	13	12¾	12¼	12¼	12	11⅞
Company Deposits	-	-	12⅞	12½	11⅞	11⅞
Finance House Deposits	-	-	12⅞	12⅝	11¾	-
Treasury Bills (Buy)	-	-	12⅞	11⅞	11⅝	-
Bank Bills (Buy)	-	-	12⅞	11⅞	11⅝	-
Fine Trade Bills (Buy)	-	-	13⅛	12⅜	11¾	-
Dollar CDs	-	-	6.50	6.50	6.50	6.92
SDR Linked Dep. Offer	-	-	8½	8⅜	8¼	8⅛
SDR Linked Dep. Bid	-	-	8⅜	8¼	8⅛	8⅛
ECU Linked Dep. Offer	-	-	9⅞	9⅞	9½	9½
ECU Linked Dep. Bid	-	-	9¾	9¾	9⅜	9⅜

Treasury Bills (sell); one-month 12⅞ per cent; three months 11⅞ per cent; six months 11⅞ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.7613 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1991. Agreed rates for period Mar 26, 1991 to April 22, 1991, Scheme I: 14.21 p.c., Schemes II & III: 14.63 p.c. Reference rate for period Feb 1, 1991 to Feb.28, 1991, Scheme IV&V: 13.357 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from March 1, 1991; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
March	1836.0	1805.0	-33.0	1845.5	1805.0	9,360
April	1852.0	1822.0	-31.0	1859.0	1821.0	1,486
May	1864.0	1864.0	-1.0	1864.0	1864.0	5
June	-	-	-	-	-	500

Estimated volume 6,869 Total Open Interest 11,351

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.8556	1.8604	1.8546	1.8624
Jun	1.8304	1.8348	1.8298	1.8368
Sep	1.8170	1.8170	1.8170	1.8170

POUND - DOLLAR

BASE LENDING RATES

	%		%		%
ABN Bank	13	Co-operative Bank	13	Nat Bk. of Kuwait	13½
Adam & Company	13	Coutts & Co	13	NatWestminster	13
Allied Trust Bank	13	Cyprus Popular Bk	13	Northern Bank Ltd	13
AIB Bank	13	Dunbar Bank PLC	13	Nykredit Mortgage Bank	13½
● Henry Ansbacher	13	Duncan Lawrie	13	Provincial Bank PLC	15
B & C Merchant Bank	13	Equatorial Bank plc	13	Roxburghe Bank Ltd.	14½
Bank of Baroda	13	Exeter Bank Limited	13½	Royal Bk of Scotland	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Bank Credit & Comm	13	First National Bank Plc.	16	Standard Chartered	13
Bank of Cyprus	13	● Robert Fleming & Co.	13	TSB	13
Bank of Ireland	13	Robert Fraser & Ptnrs.	13½	Unibank plc	13
Bank of India	13	Girobank	13	● United Bk of Kuwait	13
Bank of Scotland	13	● Guinness Mahon	13	United Mizrahi Bank	13½
Banque Belge Ltd	13	● Hambros Bank	13	Unity Trust Bank Plc	13
Barclays Bank	13	Hampshire Trust Plc	14½	Western Trust	13
Benchmark Bank	13	Heritable & Gen Inv Bnk.	13	Westpac Bank Corp.	13
Brit. Bk of Mid East	13	● Hill Samuel	13	Whiteaway Laidlaw	13
● Brown Shipley	13	C. Hoare & Co.	13	Yorkshire Bank	13
Cl. Bank Nederland	13	Hongkong & Shanghai	13		
● Charterhouse Bank	13	● Leopold Joseph & Sons	13		
Citibank NA	13	Lloyds Bank	13		
City Merchants Bank	13	Meghraj Bank Ltd	13		
Clydesdale Bank	13	McDonnell Douglas Bnk.	13		
Comm. Bk. of London Plc	13	Midland Bank	13		
		Mount Banking	13		

● Members of British Merchant Banking & Securities Houses Association.

LEGAL NOTICES

Registered number 2280000 Trading name(s) Princess Air Plc Nature of Business: Aircraft Charter Trade classification: Division 6 Date of appointment of administrative receiver(s) 28 February 1991. Name of person appointing the administrative receiver(s): Barclays Bank Plc. John Parry Richards, Anthony Raymond Houghton Administrative Receiver/Joint Administrative Receivers (Office holder no(s) 2480 & 1882) Address: Touche Ross & Co, 55/57, High Holborn, London WC1V 6DX

CLUBS

MONEY MARKET FUNDS

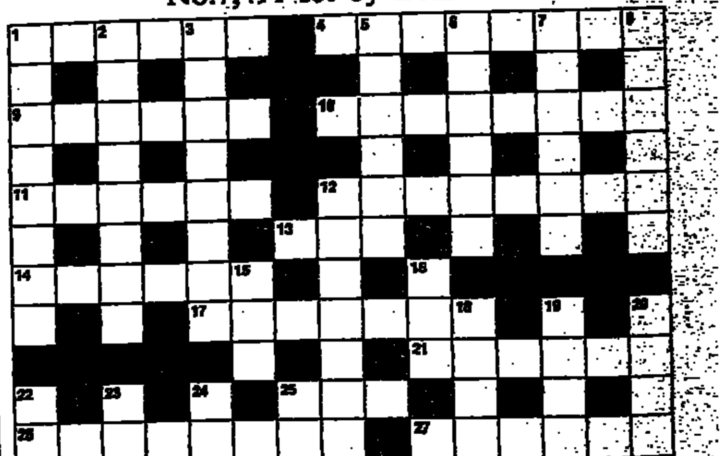
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,491 set by DANTE



ACROSS

1 Not the first time (6)
4 Death by hangings (8)
9 My dear, it can be quite unpractical (6)
10 Dirty novel distributed in a furtive way (8)
11 Big fellows I beat in the back-street (6)
12 He renders an account (8)
13 A top holiday centre (3)
14 Bounds within which wines are stored (6)
17 How time flies! (7)
21 Where the Scotsman gets a little company (6)
23 No liquor served, but wine may be (5)
26 Runs riot after the beak leaves (8)
27 Rush upon it and revise once more (2-4)
28 Important person seen at the fair (3,5)
29 Fishes in shallow waters (6)
30 Cutting off a lady on a telephone call (8)
31 Anthea may be the personification of wisdom (6)

DOWN

1 Drug could have bearing on the case (8)
2 Old Sally Brown (8)
3 Propose that the main difference should be in money (8)
5 Take articles from a magazine? (6)
6 A number tucked into a bird in the inn (6)
7 Light in it, for example, goes out (6)
8 New year on board ship for detective writer (6)
12 Young crabs? (7)
15 Cunning Shakespearean character (3)
16 He's a lot on edge (3)
18 A bit like West Ham, nothing special (8)
19 Individually produced, the servant said (8)
20 Could be another's fishing ground (5,3)
22 Examines surgical instruments (6)
23 Frenchman who couldn't adapt to a new regime? (6)
24 Get together and tuck in (6)
25 Lower form emend a composition (6)

Solution to Puzzle No.7,490

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA
March 11 | Sch. | + or -

[illegible]

BELGIUM/LUXEMBOURG
March 11 | Frs. | + or -

[illegible]

DENMARK
March 11 | Kr. | + or -

[illegible]

FINLAND
March 11 | Mks | + or -

[illegible]

FRANCE
March 11 | Frs. | + or -

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY
March 11 | Lire | + or -

[illegible]

NETHERLANDS
March 11 | Fls. | + or -

[illegible]

NORWAY
March 11 | Krone | + or -

[illegible]

SPAIN
March 11 | Pts. | + or -

[illegible]

SWEDEN
March 11 | Kronor | + or -

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND
March 11 | Frs. | + or -

[illegible]

SOUTH AFRICA
March 11 | Rand | + or -

[illegible]

JAPAN
March 11 | Yen | + or -

[illegible]

AUSTRALIA
March 11 | Aust.$ | + or -

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG
March 11 | H.K.$ | + or -

[illegible]

MALAYSIA
March 11 | M.R. | + or -

[illegible]

SINGAPORE
March 11 | S$ | + or -

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. x Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
3:15 pm prices March 11

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
[illegible]					
11700	Rothmans x	$54	53¾	54	
183300	RoyalBkCan	$25	24⅝	24⅞	+⅛
242000	RylTrustco	$9	8¾	9	
500	StLawrCm A	u$14⅞	14⅞	14⅞	+⅛
4000	Sceptre Rs	u380	380	380	+5
2400	ScottPaper	u$19¼	19⅛	19¼	+¼
11500	Scotts Hos	u$17¼	16¾	16¾	−⅛

MONTREAL
3:15 pm prices March 11

Sales	Stock	High	Low	Close	Chng
[illegible]					
8000	Macmillan	u$20	19¾	19¾	−¼
2500	Memotec	$8⅞	8¼	8¼	−⅛
74600	NatBk Can	$10½	10⅛	10¼	−⅛
6000	Provigo x	$11¾	11½	11⅝	+⅛
2800	Quebecor A	$17⅞	17½	17⅞	+⅜
1500	Videotron x	$14⅜	14⅛	14⅛	−¼

Total Sales 10,145,600 shares

INDICES

NEW YORK

DOW JONES	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2955.20	2963.37	2973.27	2972.52	2973.27 (6/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.60	93.70	93.71	93.76	93.91 (15/2)	91.15 (16/1)	93.51 (9/2/87)	54.99 (1/10/81)
Transport	1125.18	1141.57	1151.62	1166.26	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	210.45	211.14	211.64	213.85	217.62 (1/2)	199.84 (16/1)	236.23 (21/1/90)	10.50 (8/4/32)

◆Day's High 3003.47 (2998.53) Low 2934.90 (2948.51)

STANDARD AND POOR'S	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite‡	374.95	375.91	376.17	376.72	376.72 (5/3)	311.49 (9/1)	376.72 (5/3/91)	4.40 (1/6/32)
Industrials	446.41	447.30	447.26	447.21	447.26 (6/3)	364.90 (9/1)	447.26 (6/3/91)	3.62 (21/6/32)
Financial	28.73	28.90	29.01	29.15	29.15 (5/3)	22.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	204.95	205.36	205.53	205.74	205.74 (5/3)	170.97 (9/1)	205.74 (5/3/91)	4.46 (25/4/42)
Amex Mkt. Value	356.31	355.26	354.66	354.39	356.31 (8/3)	296.72 (9/1)	397.03 (9/10/89)	29.31 (9/12/72)
NASDAQ Composite	475.11	475.74	473.80	473.05	475.11 (8/3)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar. 1	Feb. 22	Feb. 15	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.47	3.44	4.11

	Mar. 6	Feb. 27	Feb. 20	year ago (approx.)
S & P Industrial div. yield	2.82	2.89	2.19	3.21
S & P Ind. P/E ratio	18.38	17.75	17.77	14.52

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Nabisco RJ	6,517,600	10⅜	+ ⅛
Unisys	4,973,600	6⅛	+ ⅜
Laidlaw B	2,813,100	16⅛	- ½
AT & T	2,751,300	33	- ⅜
McDonald's	2,677,400	34	- ⅛
Reebok	2,500,600	24⅛	+ 1⅝
Wendy's	2,423,800	9½	+ ⅝
Am. Express	2,121,600	26½	+ ¼
Savin Bus.	2,063,900	0.15	-- ----
Philip Morris	1,949,200	67⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Mar. 8	Mar. 7	Mar. 6
New York	206.850	197.060	262.290
Amex	16.970	15.507	21.242
NASDAQ	187.910	191.890	199.397
Issues Traded	2,047	2,038	2,064
Rises	769	740	890
Falls	788	842	770
Unchanged	490	456	404
New Highs	109	96	181
New Lows	5	2	5

CANADA

TORONTO	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1991 HIGH	1991 LOW
Metals & Minerals	3295.65	3237.50	3244.10	3284.18	3284.18 (5/3)	2632.06 (9/1)
Composite	3571.42	3564.04	3571.53	3561.90	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1877.20	1876.81	1884.27	1888.19	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar. 11	Mar. 8	Mar. 7	Mar. 6	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1423.9	1415.2	1411.5	1413.4	1423.9 (11/3)	1204.5 (16/1)
All Mining (1/1/80)	649.3	638.7	633.1	628.4	649.3 (11/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	508.78	511.73	508.84	508.25	511.73 (8/3)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5849.04	5822.67	5775.05	5740.84	5849.04 (11/3)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	353.59	354.05	353.53	350.00	354.05 (8/3)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1084.2	1089.4	1070.3	1028.8	1089.4 (8/3)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	485.01	487.78	482.67	483.81	487.78 (8/3)	394.88 (15/1)
CAC 40 (31/12/87)	1796.70	1828.14	1831.85	1821.01	1831.85 (7/3)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	671.77	682.77	675.37	673.68	682.77 (8/3)	570.48 (15/1)
Commerzbank (1/12/53)	1912.10	1942.3	1921.8	1917.2	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1565.78	1602.29	1580.46	1594.32	1602.29 (8/3)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3669.03	3653.19	3658.24	3647.33	3669.03 (11/3)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1476.24	1455.69	1433.97	1420.36	1476.24 (11/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	580.85	578.32	575.80	576.72	582.09 (25/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26669.37	26607.52	26397.96	26382.99	26669.37 (11/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1975.76	1967.11	1955.61	1958.21	1975.76 (11/3)	1625.80 (17/1)
2nd Section (4/1/68)	3115.59	3088.77	3089.90	3082.01	3115.59 (11/3)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	605.85	601.30	599.81	596.29	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	258.3	259.4	257.8	257.3	259.4 (8/3)	221.4 (16/1)
CBS All Shr (End 1983)	188.9	189.7	188.5	188.1	189.7 (8/3)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	729.89	735.00	727.21	738.49	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	990.24	986.36	971.43	967.26	1006.04 (25/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	410.64	414.37	414.72	410.83	414.72 (7/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1104.0&	1083.0	1083.0	1071.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3337.0&	3284.0	3266.0	3260.0	3337.0 (11/3)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	681.38	675.94	674.87	676.37	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	282.88	277.03	272.59	271.83	282.88 (11/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1099.5	1100.4	1100.3	1088.3	1100.4 (8/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	736.6	725.8	726.4	736.6 (8/3)	590.4 (14/1)
SBC General (1/4/87)	(u)	608.5	602.3	603.6	608.5 (8/3)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4838.40	4588.44	4622.40	4487.84	5181.98 (21/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	848.56	827.54	817.23	803.21	848.56 (11/3)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	517.4*	522.1	522.3	521.7	524.2 (18/2)	439.1 (16/1)

**Saturday March 9: Taiwan Weighted Price: 4743.57. Korea Comp Ex. 681.03.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 11 March 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
S'tomo Metal	18.9m	541	+1	Toshiba	9.0m	897	+8
Minebea	11.4m	1,150	0	Takeda Chml	8.9m	1,840	+40
Nippon Oil	10.9m	1,220	+10	Nippon Steel	8.7m	493	0
Hitachi Zosen	10.6m	590	+16	Fujikura	8.4m	1,070	+40
M'bishi Elec	9.5m	785	-12	M'bishi Heavy	7.8m	804	-16

3:15 pm prices March 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅜	9¼	AAR Corp	0.46	0.03	12	676	u15⅜	15	15	
26¼	21⅛	A L Labs A	0.16	0.01	20	185	25¾	25½	25¾	+⅛
54⅞	40⅞	AMP Inc	1.44	0.03	19	703	53¼	52⅞	53⅛	
63	44¼	AMR				896291	59	57⅛	57½	-⅛
2⅜	1¼	ARX			2	455	1⅞	1⅞	1⅞	
48¾	41½	ASA	3.00	0.06	13	875	47⅛	46¼	46⅞	-⅛
48⅜	39¼	Abbott Lab			21	8871	u48⅜	47⅝	47¾	+⅜
13¼	9⅞	Abitibi Pr	0.50	0.04	19	6	u13¼	13¼	13¼	+¼
11⅛	10⅜	ACM Gvt In x				613	11	10⅞	11	
9⅞	8¾	ACM GvOpp x				31	9¼	9⅛	9⅛	-⅛
9	8¼	ACM Gvt Sp x	0.34	0.04		192	8⅞	8¾	8⅞	+⅛
10⅞	9⅞	ACM Gvt Se				583	10⅝	10⅜	10⅝	+¼
8¼	7⅝	ACM Man x				508	7⅞	7¾	7¾	-⅛
12⅝	11⅞	ACM Mmegn x				297	12½	12⅜	12⅜	
7¼	4¼	Acme Cleve	0.40	0.06	20	16	7¼	7	7	
6	4¼	Acme Elect			18	13	5	4⅞	4⅞	-⅛
37⅝	22⅞	Acuson			28	331	35⅞	34⅞	35⅛	+⅜
17⅛	14¼	Adams Expr	0.48	0.03	0	67	16¾	16½	16½	-¼
20	18⅞	Adobe12Pf				10	19¾	19⅝	19⅝	-¼
9¼	7½	Adobe Res			22	63	8⅞	8⅝	8⅝	
28¾	18	Ad Micro x				57	27⅞	27½	27⅝	-¼
10⅛	4⅝	Ad Micro P	3.00	0.32	18	7510	9½	9¼	9⅜	
4⅜	2¼	Advest Grp			3	34	3⅞	3⅞	3⅞	-⅛
46⅞	33⅞	Aetna Li	2.76	0.06	7	794	45½	45⅛	45¼	-⅛
10⅝	6⅝	Affil A	0.24	0.02	28	885	10	9⅞	9⅞	-⅛
18⅝	12	Ahmanson	0.88	0.05	9	1653	17¼	16⅞	17¼	+¼
3⅞	2⅞	Allgen Inc			6	177	3⅜	3⅛	3¼	-⅛
69⅝	61⅛	Air Pr Chm			15	1166	67¾	67⅜	67⅜	-⅜
25	16⅝	Airbne Frt	0.30	0.01	12	782	22¾	22½	22½	-¼
16⅞	12½	Airgas Inc			18	93	16½	16	16⅛	
15¼	10	Airlease	1.60	0.12	6	87	13⅞	13⅜	13⅜	-⅛
92½	88¼	AlaPw8 16 x				8	91½	89	89	
23⅞	21⅞	AlaPw PfA x				8	23	23	22⅞	-⅛
103	100	AlaPw9.44 x				6	100½	100½	100½	
108	104½	Ala Pw 11 x				z0	u108	108	108¼	
100¼	96	Ala Pw 9P x				z100	99	99	99	+¾
92¼	86	Ala 8.28C x				2	91½	90½	90¼	+¼
10⅛	9⅛	AlaPwDpPf x				26	9¾	9⅝	9¾	+⅛
23⅞	17½	Alaska Air	0.20	0.01	28	310	23½	23⅛	23⅛	-⅛
16¾	10	Albany Int x	0.35	0.02	51	21	15⅝	15⅛	15⅜	+⅜
34¼	29	AlCulvr B	0.22	0.01	20	333	29	d27⅞	27⅞	-1¼
24⅛	20¼	AlCulvr A	0.20	0.01	15	411	21¼	21	21⅛	-⅜
42⅞	32⅝	Albertsons	0.56	0.01	23	852	41⅛	40⅛	41	+⅛
23¼	16½	Alcan Alum	1.12	0.05	9	1944	23⅛	22⅞	23	+⅛
35⅞	29⅝	Alco Stand	0.88	0.03	13	242	32⅞	32	32⅛	+¼
27⅝	20⅞	Alex Alex x			22	279	26⅜	26	26⅜	+⅜
30¾	18¾	Alexanders			23	106	30⅞	30⅛	30⅛	-⅛
27¼	21¾	Allegh Lud	0.88	0.03	12	134	26½	26	26	-⅜
39⅞	35	Allegh Pow	3.16	0.08	10	442	38⅛	37⅞	38	
19⅜	16⅝	Allen Gp				34	u19⅜	19	19½	-⅛
15⅛	9¼	Allen Con			22	21	14½	14⅛	14⅜	-⅛
23	18¾	Allergan			18	701	22⅛	21⅞	22	
21	15¼	Allnce Cap	1.76	0.09	16	217	20¼	20	20	-¼
13⅜	9⅞	Allnce GI				419	12¾	12⅝	12⅝	-¼
8¾	7⅞	Allnce N E				18	8⅝	8⅝	8⅝	-¼
23	18¼	All Ir Bk				44	22⅛	22	22⅛	
31⅞	25⅞	Alld Sig	1.80	0.06	8	2221	30⅛	29⅝	29⅝	-⅜
9⅝	8⅜	AlstMunTr x	0.71	0.08		434	9½	9⅜	9⅜	-⅛
9⅞	8⅝	AlstIncOp				187	9⅝	9½	9⅝	+⅛
9⅝	8⅝	AlstMnInc				111	9½	9⅜	9⅜	-⅛
9⅜	8¼	AlstMnInc x				128	9¼	9⅛	9¼	+⅛
39⅞	31⅞	Alltel Crp x	1.40	0.04	18	272	39⅛	39	39	
69⅞	53¼	Alcoa	1.60	0.02	19	1303	67½	67	67⅛	-⅛

[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

3:15 pm prices March 11

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm prices March 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet HI&P	0.31	3	103	7¼	d7⅛	7⅛	-⅛
Phil LD x	0.16	6	253	u15	14⅛	14¾	+½
Pittway A x		10	47	25⅛	25	25	-⅛
Pitt Gem	0.12	22	84	7⅛	7	7	
PresidioA	0.10	3	30	4⅞	4⅞	4⅞	-⅛
Price Com		0	375	[illegible]	⅝	[illegible]	+⅛
Pro Med	0.50	11	3	6	6	6	
Prof Care		6	8	6⅞	6¾	6¾	-⅛
- R - R -							
RB&W Cp		8	90	4⅝	4⅝	4⅝	
RiedelEnv		76	12	8⅜	8⅛	8⅜	+¼
Ruddick x	0.40	10	98	25⅛	24¾	24¾	-⅜

AMERICA

Attention fixes on individual company stories

Wall Street

A QUIET morning on Wall Street saw US equities trading in a narrowly mixed range yesterday, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was off 5.70 at 2,949.50 on moderate volume, after falling 8.17 on Friday. On the big board yesterday, declines led advances by a ratio of three to one.

The slightly negative tone was reflected in other stock market indices. At 1 pm, the Standard & Poor's 500 was off 0.30 at 374.65 and the New York Stock Exchange composite was 0.36 lower at 355.95.

In the absence of important economic news, the market's main impetus was corporate news. SafeCard Services plummeted $1⅝ to $7⅞ on reports that a grand jury investigation is reviewing evidence against its founder and former chairman, Mr Peter Halmos.

NCR fell $1⅞ to $96½ on reports that AT&T had said that it was willing to raise its takeover offer to $100 a share from $90 a share but had not done so because NCR was unwilling to talk. Shares in AT&T improved $⅞ to $33⅞.

IBM lost $1¼ to $129¾ in active trading after an analyst at Merrill Lynch downgraded his intermediate-term investment rating on the stock amid concern that the company's earnings would be hurt by a stronger dollar and reduced demand. However, other analysts believed the stock was undervalued.

Unisys gained $½ to $6¾ in exceptionally brisk trading in anticipation of a big asset sale.

CBS dropped $9¾ to $172½ on negative comments before Thursday's "Fin-Syn" ruling by the Federal Communications Commission, which may limit the ability of television networks to sell or syndicate television re-runs.

Commonwealth Edison climbed $¾ to $39¾ in heavy trading. A recent rate increase approval is expected to bolster the utility company's earnings.

Airline issues seemed to shrug off an agreement between the US and UK governments which will allow Pan Am to sell its Heathrow operations to United Airlines, and AMR to take over TWA's Heathrow slots. Shares in UAL added $3½ to $148. Pan Am was $¼ higher at $1¼ and AMR, parent of American Airlines, rose $⅝ to $58⅛.

In over-the-counter trading, Intel plunged $4¾ to $46¾ after a Merrill Lynch analyst cut his rating on the stock to neutral from buy and reduced 1991 earnings estimates.

Apple Computer slid $2¼ to $62¾ after cutting the price on some of its Macintosh personal computers by as much as 31 per cent and reducing the price of three laser printers by up to 21 per cent. The company also unveiled two new printers.

Sierra-On-Line, which has agreed to merge with Broderbund Software in a stock swap valued at about $88m, jumped $2⅞ to $24⅞.

Laserscope added $1¾ to $15¾ after the Food & Drug Administration approved the marketing of its KTP Disc Kit, which contains instruments used in laser-assisted treatment for certain lower back problems.

Sunwest Financial plunged $1½ to $14 after suspending its quarterly dividend of 12 cents a share in an effort to maintain a strong capital position.

Canada

TORONTO STOCKS languished at midday yesterday, affected by the uncertainty over an Opec meeting in Geneva and by a policy adopted by Quebec's ruling Liberal Party, designed to give the French-speaking province greater autonomy. Oil stocks dragged the market down.

The composite index fell 11.7 to 3,559.8. Declines led advances by 129 to 122 on slack volume of 13.36m shares.

Oil share prices were volatile. Imperial Oil fell C$⅝ to C$59 and Renaissance lost C$⅝ to C$16¼. Timmins Nickel, a small nickel miner, rose 9 cents to 98 cents after a buy recommendation.

ASIA PACIFIC

Nikkei rises but weaker yen and bonds subdue trade

Tokyo

BUYING BY individuals helped share prices to remain firm throughout the day yesterday, but volume fell as the rise in the dollar against the yen and higher bond yields kept the big investors away, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 61.85 up at 26,669.37. The day's low of 26,610.16 was registered soon after the opening and a high of 26,753.84 was reached in mid-afternoon.

Volume fell to 550m shares from Friday's 850m. Ms Betty Wu at SBCI attributed most of the turnover to cross-trading – or realising profits without changing the portfolio – by Tokkin and other trust funds.

Gains led losses by 713 to 292, with 147 issues remaining unchanged. The Topix index of all first section stocks improved 8.65 to 1,975.76, and in London trading the ISE/Nikkei 50 index edged ahead 1.72 to 1,523.50.

Traders said investors were focusing on the February money supply figures, to be announced on Friday, and that the market would remain quiet until then. Mr Fujio Katayama at C.S. First Boston said a sluggish figure could increase pressure on the central bank for an easier monetary policy.

Car makers were firm, encouraged by the weaker yen and hopes of a short recession in the US. The yen fell Y1.77 against the dollar to Y138.07, the lowest level since September. Toyota Motor advanced Y10 to Y1,930 and Nissan Motor gained Y16 to Y826.

Paper and pulps, mining and chemical issues were picked up as laggards. Oji Paper moved ahead Y45 to Y994. In the pharmaceutical sector, Daiichi appreciated Y70 to Y2,480 on reports that the company had started clinical tests of its anti-bacterial agent in the US for its Aids drug. Yamanouchi climbed Y100 to Y3,450.

Nippon Yusen, the shipping company, put on Y16 to Y672 as the spot freight rate for cereal shipping set a 10-year high. The company has been diversifying into cereal shipping to the Soviet Union.

Honshu Paper, a former speculative favourite, shed Y150 to Y1,600. A report filed with the Ministry of Finance last Friday revealed that some speculators had sold large blocks of the stock.

Leisure-related issues advanced ahead of the spring recreation season. Fuji Kisen, a ship leasing company, rose by its daily limit of Y100 to Y872.

In Osaka, the OSE average gained 289.77 to 29,555.04 on volume of 66.8m shares, up from 56.6m. Osaka Sanso, a leading industrial gas maker, rose Y12 to Y725 on the outlook for sales of high purity gas.

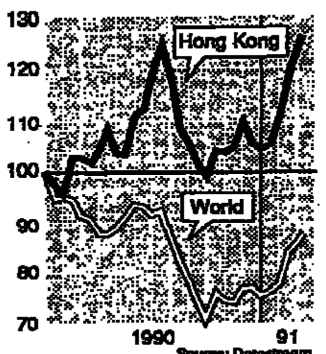
Roundup

MOST Pacific Rim markets moved higher yesterday, with Hong Kong and Bangkok both reaching 1991 peaks.

HONG KONG hit a new high in spite of profit-taking, the Hang Seng index adding 15.84 at 3,669.03, after buying by locals and foreign institutions took it close to 3,700 in early trading. Turnover increased from HK$1.82bn to HK$1.89bn.

Traders liked the strong interest shown by flat-buyers in a Cheung Kong residential project, and were relieved that Jardine Matheson had settled a fend with market regulators over share repurchases.

FT-A World Indices (local currencies)



BANGKOK reached its 1991 peak on the release of Mr Chatichai Choonhavan, former premier, and on the policy of tax cuts adopted by Thailand's new interim government. The SET index closed 21.01 stronger at 848.55, with buying centred on financials.

KUALA LUMPUR rose in the heaviest trading since February last year. The composite index put on 4.55 to 605.85 in volume of 201.5m shares, worth M$402.8m. Plantation and low-priced stocks led gains.

AUSTRALIA gained ground in moderate trading with golds to the fore. The All Ordinaries index rose 8.8 to 1,423.9, a six-month high. Golds jumped 40.5 or 3.7 per cent to 1,139.8 on the firmer bullion price.

The weak Australian dollar and hopes for today's government statement on industry policy encouraged buying. Turnover fell to A$135m from A$188m; Melbourne was closed for a local holiday.

Among gold shares, Placer Pacific rose 15 cents to A$2.95. Poseidon added 5 cents at A$1.45 after reporting that first-half profits had doubled.

TNT, the transport group, was the most active stock with 4.02m shares traded, gaining 4 cents to A$1.56. Lower fuel prices have encouraged buyers.

TAIWAN extended its advance, the weighted index adding 94.83 at 4,838.4, after rising 155.13 on Saturday. Turnover grew to T$53bn from T$38bn. JAKARTA was encouraged by an interest rate cut. The market index moved up 8.36 to 398.41 as volume swelled to 4.1m shares from 1.3m.

SINGAPORE ended rather mixed, but with the Straits Times Industrial index down 17.75 at 1,498.48 after trading worth S$318m, against S$405m.

NatSteel lost 35 cents to S$8.65 on worries about steel oversupply. Keppel slipped 20 cents to S$7.40 before announcing a profits rise.

United Industrial Corporation and Singapore Land were suspended pending an announcement. UIC is expected to announce a cash call.

BOMBAY fell in volatile trading. The BSE index lost a net 16.33 at 1,174.72, after touching 1,158.55.

SOUTH AFRICA

JOHANNESBURG's industrial index reached a record high yesterday, following Friday's moves by the Reserve Bank to boost business confidence. The industrial index breached its previous peak of 3,319, set on June 5 last year, to close 53 higher at 3,337.

The all-gold index, buoyed by firm bullion prices, rose 21 to 1,104 and the all-share index put on 55 to 2,930.

EUROPE

Madrid powers ahead to its fifth successive year's high

SPAIN advanced another 2.1 per cent yesterday after last week's 5.9 per cent rally, but most other bourses declined as investors took profits, *writes Our Markets Staff.*

MADRID continued to power ahead as the strength of the peseta convinced investors that an interest rate cut was imminent. Hopes of a good inflation figure, due on Thursday, also helped, although analysts expected the market to consolidate in the short term.

The general index gained 5.85 to its fifth successive year's high of 282.88, in active turnover of about Pta28bn, up from Pta25.5bn. Among the day's active stocks, Uralita, the building group, gained Pta180 or 8.8 per cent to Pta958 and Ercros, the chemical company, advanced Pta125 or 11.9 per cent to Pta1,175.

Paper and board makers were strong. Papelera Española leapt Pta28 or 10 per cent to Pta308 on 265,670 shares, and Sarrió jumped Pta53 or 6.2 per cent to Pta913 on 304,741 shares. An analyst said that investors were picking the sector for its recovery potential, adding that the interest in Papelera Española, the financially troubled newsprint supplier, could also be speculative.

FT-SE Eurotrack 100 - Mar 11

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1096.03	1094.43	1090.47	1086.80	1088.14	1087.52	1086.85	1085.40

Day's High 1096.03	Day's Low 1084.67

Mar 8	Mar 7	Mar 6	Mar 5	Mar 4
1097.05	1087.99	1089.64	1064.17	1054.99

Base value 1000 (26/10/90)

PARIS declined as the correction, which began late on Friday, continued. The CAC 40 index dropped 31.44 or 1.7 per cent to 1,796.70 as turnover declined.

Blue chips fell on profit-taking, Elf Aquitaine losing FFr2.40 to FFr333.60 with 471,653 shares traded, Suez FFr11 or 3.3 per cent to FFr535 and Saint-Gobain FFr14 or 3.2 per cent to FFr421.

Peugeot declined FFr13 to FFr535. Mr Jacques Calvet, chairman, revised his forecast of the fall in European car sales this year to 5.2 per cent from 1-2.5 per cent.

Havas shed FFr17 to FFr538. The media group has agreed to pay about FFr200m for an additional 4.48 per cent stake in its Avenir Havas Media unit, which fell FFr11 to FFr254.

FRANKFURT retreated in an atmosphere which suggested that investors were not in a hurry to make positive decisions about the market. Volume fell from DM7.9bn to DM6.4bn as the FAZ index dropped 11.00 to 671.77 at midsession and the DAX closed 36.51, or 2.3 per cent, lower at 1,565.78.

BZW listed static interest rate prospects, tax rises and the likelihood of a corporate earnings decline in 1991 as it advocated a neutral/underweight position on German equities for the time being.

Degab, the analysis arm of the Deutsche Bank, downgraded its rating for Volkswagen, one of last week's leaders on the rise in the dollar, and the shares dropped DM18.30, or 4.7 per cent, to DM372.70. Meanwhile, Porsche, another "dollar" stock, rose DM10 to DM860 while Henkel, heavy in home chemical products, added DM2 to DM542 after lagging behind the market.

AMSTERDAM had an early lift, but was disheartened by the falls in Frankfurt and London as well as the central bank intervention against the dollar. The CBS general tendency index rose to 93.7 before closing 0.7 down at 92.3.

DSM, the chemical group, closed 70 cents up at Fl 111.30 after reporting a slightly smaller-than-expected fall in 1990 net profit. The market was also pleased by the company's decision to hold the dividend.

Ahold, the retailer, eased Fl 1 to Fl 77.20; net profits jumped 25 per cent in 1990 but it warned that that 1991 would not see a repeat performance.

Bührmann-Tetterode, the packaging, printing and office equipment group, fell Fl 2.80 to Fl 60.70 after reporting results in line with expectations.

MILAN was lifted by the strength of some secondary stocks, while blue chips were flat before the expiry of monthly options today. The Comit index rose 2.53 to 580.85 in volume estimated at less than Friday's L178bn.

The banking sector was strong, with the smaller banks leading the gains.

Fondiaria, the insurer, rose L650 to L41,300 on rumours, later denied by its controlling shareholder, Gaic, that it was up for sale.

ZURICH dipped on profit-taking inspired by high interest rates, a lower dollar and sluggish markets elsewhere, the Crédit Suisse index closing 7.6 lower at 552.7.

In pharmaceuticals, Sandoz continued to outperform with a rise of SFr225 to SFr11,300. In more troubled territory, Omni, the holding company which sought protection from its creditors last Wednesday, halved on the day from SFr190 to close at its lowest bid of SFr95.

STOCKHOLM closed lower as profit-taking wiped out early gains. The Affärsvärlden General index eased 0.9 to 1,099.5 in moderate trading worth SKr421m. About SKr84m of the total was accounted for by Electrolux, the white goods manufacturer, which gained SKr4 to SKr229.

Helsinki stands out in strong week

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	+2.31	+19.62	−28.27	+14.43	+13.35	+9.94
Belgium	+3.31	+12.99	−2.75	+18.79	+17.90	+14.35
Denmark	+3.09	+10.36	−4.88	+18.93	+17.97	+14.43
Finland	+11.48	+27.79	−19.83	+25.49	+25.10	+21.34
France	+4.39	+13.02	−6.74	+19.70	+17.90	+14.36
Germany	+5.18	+10.38	−13.00	+13.69	+12.13	+8.76
Ireland	+5.91	+20.01	−10.97	+24.08	+23.02	+19.33
Italy	+3.27	+11.22	−16.19	+11.98	+11.55	+8.21
Netherlands	+4.15	+10.63	−1.66	+13.03	+11.60	+8.26
Norway	+5.91	+15.57	−16.75	+11.67	+11.22	+7.88
Spain	+5.39	+13.86	+1.71	+22.85	+24.50	+20.76
Sweden	+5.91	+17.67	+6.20	+30.47	+31.01	+27.08
Switzerland	+5.42	+12.00	−5.24	+18.61	+14.30	+10.87
UK	+3.11	+10.53	+8.41	+15.27	+15.27	+11.81
EUROPE	+3.95	+11.41	−1.73	+16.12	+15.32	+11.85
Australia	+1.27	+5.32	−7.26	+10.93	+14.01	+10.60
Hong Kong	+2.46	+9.15	+24.39	+21.46	+25.33	+21.56
Japan	+1.69	+7.97	−20.86	+13.41	+16.45	+12.94
Malaysia	+8.28	+14.81	+4.84	+17.60	+20.00	+16.39
New Zealand	−2.05	−5.09	−27.96	+7.45	+12.51	+9.10
Singapore	+7.12	19.91	−0.95	+31.17	+34.80	+30.75
Canada	+2.82	+3.73	−3.36	+8.26	+11.52	+8.18
USA	+1.17	+4.37	+10.34	+13.90	+17.42	+13.90
Mexico	+9.72	+11.39	+83.24	+14.76	+17.16	+13.84
South Africa	+2.96	+8.07	−13.71	+5.40	+17.56	+14.02
WORLD INDEX	+2.16	+7.51	−5.06	+14.22	+16.49	+12.99

† Based on March 8th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

By Antonia Sharpe

THE DOW's assault on the 3,000 barrier and signals from the US Federal Reserve that it was relaxing monetary policy fuelled a liquidity-driven rally last week which lifted most markets. The FT-Actuaries World Index added 2.2 per cent, bringing its rise so far this year to 14.2 per cent.

The most outstanding performance came from Finland, which advanced 11.5 per cent, in local currency terms. It is one of the world's best performers this year, together with Singapore and Sweden. Brokers told of panic buying as foreigners, some offering 5 per cent above the asking price to secure the little stock available, attempted to build up positions in a market which they believed was about to recover after a long decline.

Daily volume, which had dwindled to nearly nothing in recent months, soared as high as FM100m ($27m). In the past year, Helsinki has fallen 30.6 per cent, which is the third worst performance after Japan and New Zealand, down 40.4 and 39.2 per cent respectively.

Analysts attribute Helsinki's rally to an overspill from other markets, neighbouring Sweden in particular. However, most were cautious about the market in spite of the renewed foreign interest, given the poor state of the Finnish economy and the corporate sector. Mr Gordon MacLean of Swiss Bank Corporation notes that 80 per cent of last year's operating profits of the top 15 companies were swallowed by financing costs.

The pulp and paper industry, which is reported to be selling its products below cost price, has been calling for a currency devaluation. Analysts say that a cut up to 20 per cent is likely after this weekend's general election, which could see a swing to the left in the coalition government. A devaluation would mean an instant loss for foreign investors, but its beneficial effect on the economy could boost shares further.

New Zealand was the only market to fall last week, after poor half-year results from Brierley Investments.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 8 1991								THURSDAY MARCH 7 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	130.56	+0.5	103.40	112.40	106.09	112.93	+0.3	5.88	129.95	102.12	111.55	104.55	112.62	158.31	112.74	139.90
Austria (19)	216.19	+0.2	171.22	186.13	175.68	175.05	+1.2	1.56	215.71	169.52	185.17	173.55	173.02	285.63	167.00	276.84
Belgium (60)	151.20	+0.2	119.75	130.17	122.87	119.88	+1.1	4.92	150.92	118.61	129.55	121.42	118.54	160.02	121.73	143.01
Canada (116)	140.66	−0.1	111.40	121.09	114.29	118.30	+0.0	3.37	140.82	110.67	120.87	113.29	118.28	153.61	121.24	142.80
Denmark (32)	266.19	−1.1	210.82	229.17	216.30	217.40	+0.2	1.59	269.09	211.48	231.00	216.49	217.03	277.62	217.74	257.64
Finland (21)	125.15	+2.8	99.12	107.75	101.70	98.48	+3.5	2.58	122.01	95.89	104.74	98.17	95.17	152.29	90.61	145.74
France (113)	150.67	−0.8	119.33	129.71	122.42	125.65	+0.3	3.28	151.87	119.36	130.38	122.18	125.49	168.85	121.65	149.55
Germany (68)	121.70	−0.1	96.39	104.79	98.89	98.89	+0.9	2.30	121.82	95.74	104.58	98.01	98.01	144.63	101.36	128.50
Hong Kong (48)	148.07	−0.2	117.27	127.48	120.33	148.15	−0.1	4.53	148.31	116.56	127.31	119.33	148.37	148.31	112.27	118.58
Ireland (16)	177.18	+1.0	140.31	152.53	143.96	146.03	+1.9	3.13	175.47	137.90	150.63	141.17	143.33	196.57	132.88	182.51
Italy (91)	84.74	−0.7	67.11	72.95	68.86	73.87	+0.2	3.42	85.36	67.08	73.27	68.67	73.71	109.26	72.05	94.24
Japan (453)	140.92	+0.1	111.61	121.33	114.50	121.33	+0.4	0.71	140.72	110.59	120.80	113.23	120.80	197.26	106.55	180.41
Malaysia (34)	246.91	+0.4	195.55	212.57	200.63	259.51	+0.4	2.91	245.68	193.24	211.05	197.82	258.48	250.89	182.96	229.31
Mexico (12)	664.18	+0.3	526.02	571.82	539.71	2165.48	+0.3	0.32	662.28	520.48	568.51	532.83	2159.26	664.18	324.53	404.93
Netherland (40)	145.03	−0.4	114.86	124.86	117.85	116.56	+0.6	4.68	145.58	114.41	124.96	117.12	115.88	149.03	122.70	135.72
New Zealand (15)	47.36	−0.5	37.51	40.78	38.49	42.13	−1.1	8.06	47.60	37.41	40.86	38.29	42.61	75.36	41.18	64.53
Norway (30)	220.37	−0.8	174.53	189.73	179.07	182.38	+0.3	1.59	222.10	174.56	190.66	178.69	181.85	276.79	182.24	244.98
Singapore (25)	208.25	+0.1	164.93	179.29	169.22	167.37	+0.3	2.17	207.99	163.46	178.54	167.33	166.87	209.24	147.24	195.72
South Africa (60)	208.54	+1.1	165.16	179.54	169.46	143.57	+0.1	3.85	206.32	162.15	177.11	165.99	143.40	251.39	151.50	198.88
Spain (41)	169.45	+0.8	134.20	145.89	137.69	124.78	+1.7	4.54	168.07	132.09	144.28	135.22	122.68	182.25	128.54	148.60
Sweden (27)	202.63	−0.7	160.48	174.45	164.66	173.23	+0.1	2.40	204.12	160.42	175.22	164.23	173.00	234.93	146.60	178.88
Switzerland (55)	98.60	+0.1	78.09	84.90	80.14	83.38	+1.1	2.46	98.50	77.41	84.56	79.26	82.44	109.77	82.17	93.57
United Kingdom (216)	185.24	−0.1	146.71	159.47	150.51	146.71	+0.1	4.81	185.37	145.68	159.11	149.12	145.68	187.16	139.87	146.93
USA (526)	151.84	−0.3	120.25	130.73	123.39	151.84	−0.3	3.23	152.24	119.64	130.69	122.49	152.24	152.63	119.06	136.75
Europe (858)	150.47	−0.2	119.17	129.55	122.28	121.19	+0.7	3.87	150.78	118.47	129.41	121.29	120.33	157.65	124.91	137.06
Nordic (110)	199.29	−0.8	157.84	171.58	161.95	159.96	+0.3	1.99	200.81	157.82	172.38	161.56	159.49	223.29	155.56	191.36
Pacific Basin (650)	140.50	+0.1	111.27	120.96	114.17	121.58	+0.4	1.03	140.29	110.25	120.43	112.87	121.09	192.75	107.82	158.16
Euro-Pacific (1508)	144.94	+0.0	114.79	124.77	117.77	122.32	+0.5	2.24	144.93	113.90	124.40	116.60	121.66	174.18	116.03	149.98
North America (642)	151.06	−0.3	119.64	130.07	122.77	149.60	−0.2	3.24	151.45	119.02	130.02	121.87	149.97	151.83	119.26	137.02
Europe Ex. UK (643)	129.23	−0.3	102.35	111.26	105.04	106.23	+0.7	3.17	129.59	101.84	111.25	104.28	105.45	145.62	106.85	129.40
Pacific Ex. Japan (197)	134.61	+0.2	106.61	115.91	109.40	120.50	+0.1	5.00	134.38	105.61	115.37	108.13	120.41	146.72	111.40	130.74
World Ex. US (1777)	145.72	+0.0	115.41	125.46	118.41	122.91	+0.5	2.29	145.70	114.50	125.08	117.22	122.28	173.77	117.12	150.34
World Ex. UK (2087)	142.90	−0.1	113.17	123.04	116.13	130.42	+0.2	2.35	143.02	112.40	122.78	115.08	130.18	162.00	115.37	144.21
World Ex. So. Af. (2243)	146.28	−0.1	115.85	125.95	118.88	135.06	+0.2	2.61	146.42	115.07	125.70	117.81	131.63	161.84	118.04	144.11
World Ex. Japan (1850)	151.09	−0.2	119.66	130.09	122.79	137.65	+0.1	3.56	151.38	118.97	129.96	121.81	137.45	155.61	124.31	137.63
The World Index (2303)	146.66	−0.1	116.15	126.27	119.18	132.03	+0.2	2.63	146.78	115.35	126.00	118.10	131.71	162.05	118.33	144.43

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FINANCIAL TIMES SURVEY

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SECTION III

Tuesday March 12 1991

By October 1992 President Ibrahim Babangida should have completed the transition to civilian rule. However, in spite of radical reforms, the economy is still fragile. **Michael Holman**, Africa Editor, assesses the progress made and the tasks that lie ahead.

Preparing for the hand-over

PURSUING a radical economic reform programme while ushering in democracy is a demanding task, as leaders in eastern Europe and the Soviet Union would testify.

But in Nigeria a positively heroic effort is required. Coups and corruption, ethnic rivalries and religious division, have plagued Africa's most populous nation since independence in 1960.

Yet if all goes according to plan, by October next year President Ibrahim Babangida, Nigeria's military leader, will have completed a transition to a civilian government. He will also have passed on a radically reformed economy in which the market is replacing state intervention.

It would be a hand-over with few, if any, precedents. Certainly no country in Africa has trodden this path; and success in Nigeria could encourage the many other governments on the continent trying to combine painful structural adjustment programmes while facing growing calls for multi-party systems.

It admittedly will not be the first time Nigeria's soldiers have gone back to the barracks. General Olusegun Obasanjo returned Nigeria to civilian rule in 1979, but the economy was enjoying an oil boom and structural adjustment was a remote concept.

Four years later, the soldiers returned, ousting a corrupt administration that had been too slow to respond to an economic crisis.

This time round is therefore very different, but the process is fraught with risk.

The new two-party structure imposed on the electorate may turn out to be built on sand; and shortsighted civilian politicians may see electoral advantages in dismantling the economic reforms that have put Nigeria on a tentative path to recovery.

At least part of the answer, say senior government officials, is to use the remaining 18 months or so to entrench the changes.

"We have to consolidate: complete the privatisation programme, follow through the commercialisation of those government controlled corporations that remain (such as power and telecommunications), and deregulate financial services", declares one minister.

This process, say some observers, has already given the private sector an influence and rôle in policy making it has not enjoyed before.

"It seems inconceivable," says one leading businessman, "that we could go back to the days of import licences allocated by a government which keeps the naira overvalued."

In theory, at least, this should have political benefits. Take away the patronage that such policies offer and there will be more honest and efficient government, which gives less excuse for military intervention.

But there is much to consolidate and a still fragile economy.

It is in sounder shape than General Babangida found it when he took office in a coup in 1985, although many Nigerians who have felt the brunt of the austerity that has accompanied the changes set in train in late 1986 will dispute that.

The country's $35bn external debt is better managed than it has been for a decade, and conditions for the private sector have improved.

Agriculture is starting to recover from the damage done by an over-valued naira which made imported food seem cheap and export crops overpriced.

The oil sector is thriving, and a multi-billion dollar liquefied natural gas project may at last be getting off the ground.

But the economy remains unhealthily dependent on the price of oil, which accounts for more than 90 per cent of export earnings.

Should the average price for the year turn out to be substantially below the $21 per barrel on which the 1991 budget is based, debt repayment targets may be out of reach and Nigerians will have to brace themselves for continued austerity.

Even assuming the budget's forecast is accurate, recovery will be slow. Even with debt servicing reduced to 25 per cent, that is a heavy burden for an economy that desperately needs rehabilitation of an ageing infrastructure.

But whatever uncertainties the oil market holds, however, civilian rule is being phased in.

Local government elections took place last December. State and gubernatorial polls take place in the year ahead.

Sound advice for Nigeria's voters: but can the "new breed" sustain economic reform?

As the new politicians take *to the hustings (former office* holders have been barred) will they endorse reform and austerity as being in Nigeria's longer term interest?

Or shortsightedly offer changes with popular appeal – *such as food* subsidies, *while* clawing back state intervention and the patronage that goes with it?

The latter would mark the collapse of the adjustment programme. Yet to expect any*thing else from the civilians* may be optimistic, given what seem to be endemic weaknesses in Nigeria.

As a Lagos lawyer explains: "The failure of the political system has led to the politicisation of the military, the commercialisation of politics, and instability of government."

It is still early days for the two parties – the Social Democratic Party (SDP) and the National Republican Convention (NRC) – and their characters are still being shaped.

They *operate under severe* constraints. Their manifestoes, written by government bureaucrats, differ only in nuance.

In an effort to protect his economic legacy, President *Babangida insisted that both* parties profess commitment to the reforms.

But there are disquieting signs that the so-called "new breed" politicians, far from providing a new start, are as *commercially driven as their* predecessors.

In public they abide by their manifestoes. In private the message, as one Nigerian voter *put it, is that "they will lift the* burden of SAP" – the acronym for the structural adjustment programme which so many Nigerians blame for their plight.

When speaking to many of *the "new breed" sooner or later* there will usually be a reference to what is called a "realistic exchange rate" – a phrase that reflects not the market, but a belief that Nigeria can return to the heyday of a decade ago when the managed *naira was worth nearly* a pound.

Doubts about the parties' commitment to reform aside, it is far from certain they can *accommodate long-standing* rivalries which could be exacerbated by the census due to take place later this year.

Many observers believe that *there is an uncomfortable* degree of accuracy in the joke that the 'N' in NRC stands for the predominantly Moslem north, while the 'S' in SDP reflects the backing of the mainly Christian south.

If these problems were not enough, a new government – of whatever nature – must address other pressing concerns. At present growth rates *Nigeria's 110m population* will double about every 23 years; and the environment is deteriorating, especially in northern Nigeria.

Add to this the fact that the country's civil service is inefficient, the educational system is starved of resources with a consequent fall in standards, and the private sector is short of skilled managers.

The "new breed" *rightly* point out that the current Nigerian government has many failings. Corruption remains pervasive. Its human rights record, better than many African countries, is *poor. Arms spending is too* high – a recent order for Britain's Vickers tanks, for example, seems unnecessary – and has been boosted in recent months by Nigeria's efforts to play a peace-keeping rôle in Liberia.

And the government remains committed to white elephants, such as the multi-billion dollar Ajaokuta steel project it inherited.

Nor is the government's *implementation record* unblemished. There is continuing concern, for example, over public sector expenditure and the government investment programme.

But the critical question, put by one senior government official, is yet to be answered: "Only a military government could have set in train such a tough economic reform programme. Can a civilian government sustain it?"

KEY FACTS

Area	923,773 sq km
Population	109.2 million (1989 estimate)
Average Exch Rate (Naira)	Oct 1990 $1=N8.01

ECONOMY	1989	1990
Total GDP ($bn)	*21.5*	*n.a.*
Real GDP growth (%)	6.4	4.3
GDP per capita ($)	197	n.a.
Consumer prices (% change pa)	40.9	2.0(Q2)
Oil production (bpd million)	1.7	1.8(Q3)
Total external debt ($bn)	32.8	35.0
Debt service ratio (%)	21.3	30.0+
Current Account Balance ($m)	-2,060	255
Exports ($m)	8,285	11,070
Oil exports (% of total)	94.6	96.1
Imports ($m)	5,735	6,215

Source: IMF, World Bank, EIU, Nigerian Government.

IN THIS SURVEY

President Babangida

Photographer: *Ashley Ashwood*
Editorial Production: *Andrew Slade*

Michael Holman on the run-up to the 1992 poll

Politics in transition

THE ATTEMPT by President Ibrahim Babangida to break the mould of Nigerian politics underwent its first test in last December's local government elections.

The country's two permitted parties – the National Republican Convention (NRC) and the Social Democratic party (SDP) – were taking part in the first stage of the transition to democracy under a US-style constitution, scheduled to culminate in presidential elections in October 1992.

Some more sanguine observers suggested that the results showed that old ethnic, religious and regional loyalties no longer determined how Nigerians cast their vote.

If this is correct, President Ibrahim Babangida will have initiated a remarkable transformation. Former office holders, many of whom were corrupt and almost all of whom are barred from politics, will have been replaced by a "new breed" of honest politicians, campaigning on economic and social issues.

But a more cautious analysis of the vote suggests that at best it is too early to say, and at worst little has changed. Notwithstanding the September 1987 ban, the "old breed" are active behind the scenes, and few believe that the "new breed" will break free of the corruption that seems endemic.

It would be unwise to read too much into the results of the local government poll.

The NRC won 2,562 council seats to the SDP's 2,934, but full voting figures have not yet been released by the National Electoral Commission. Unofficial estimates, however, suggest that turnout was less than 15 per cent of the electorate. The poor response is attributed to several factors: opposition to the queuing system used, where voters are counted after they have lined up in public according to which party candidate they support; lack of enthusiasm for either of the government-created parties; or fear of polling day violence – which proved groundless.

The low turnout has not, it seems, prompted the government to have second thoughts about its commitment to the transition programme. And speculation about support for the two parties and their potential gubernatorial and presidential candidates continues unabated.

To suggest, as some cynics do, that the 'N' in the NRC stands for the largely Moslem north, while the 'S' in the SDP represents the largely Christian south, is wrong.

But if the assertion is qualified by the recognition that both parties have significant support across regional, ethnic and religious divisions, and draw heavily on political affiliations of the past, it is not too far from the truth.

It is certainly difficult to distinguish the two parties by their manifestos. These were written by government officials after President Babangida decided in October 1989 that none of the 13 newly-formed political parties

The mould may be cracking, but it has not yet broken

qualified for recognition. Instead, he decided to create two parties – the SPD "a little to the left" and the NRC "a little to the right."

Both parties are obliged to support the government's economic reform programme; both advocate self-sufficiency in agriculture; and both have similar goals for education.

Since the government has made clear that it will tolerate no deviation from the manifestos, party officials are severely constrained in what they can say in public.

But the two parties have nevertheless managed to create an impression of difference, in image if not substance, with the NRC somewhat more conservative than the populist SDP.

Perhaps more important in the eyes of voters is the parties' supposed political pedigrees. No official will publicly acknowledge any party lineage. But it is nevertheless helpful to recall the parties active during the period of civilian rule under President Shehu Shagari from 1979 to 1983.

The ruling National Party of Nigeria (NPN) was dominated by northern interests; the Nigeria People's Party (NPP) had its stronghold in Ibo-dominated eastern Nigeria; the People's Redemption Party (PRP) represented a radical northern tradition, drawing most of its support from Kano and Kaduna; the Unity Party of Nigeria (UPN) was based in the Yoruba south; and the Great Nigeria People's Party (GNPP) relied on largely on two states – Borno and Gogola – for its backing.

Then, as now, no party seeking the presidency could succeed on the basis of ethnic support alone. The successful candidate must win at least 25 per cent of the votes in two-thirds of the 21 states that make up Nigeria.

Results in the 1979 election showed that President Shehu Shagari's NPN picked up a significant number of votes in Ibo and Yoruba areas, as well as in states such as Rivers and Cross Rivers, populated by minority ethnic groups.

But most observers believe that this support owed more to personality and patronage than an ideological appeal that transcended ethnic politics.

And it appears that today's two parties are alliances or coalitions of organisations that have been in the political arena before, today's NRC having much the same core as Shagari's NPN, and the SDP taking on the mantle of the UPN.

This is not to suggest that history will repeat itself, and the NRC will win the presidency. Most observers believe it is far too early to say.

Apart from the danger of drawing too many conclusions from such a low local elections poll, personalities and local issues will have played a big part. It could be a different story in the next round – polling for state assemblies and state governors, due to take place towards the end of this year. But much of the attention is focused on the presidency. In the view of one "new breed" politician, "the SDP will win the election if they come up with a credible northern candidate." There are already signs, however, that the issue is putting the SDP under strain. The party seems divided between those who believe it is the south's turn to provide Nigeria's leader, and those who see an electoral advantage if their candidate is from the north.

That the issue remains so important is one reason for thinking that while the mould of Nigerian politics may be cracking, it has not yet broken.

A man searches the ruins of what was once his home in the shanty town of Maroko

Campaigners highlight "double standards"

Rights record blemished

THERE was a discordant note amid the jubilation that greeted Mr Nelson Mandela when he arrived in Lagos last May, a few weeks after his release from 27 years in jail.

"It is a reality today that the human rights violations in Nigeria may be worse than what you have in South Africa", wrote Dr Beko Ransome-Kuti, president of the Committee for the Defence of Human Rights in an open letter to the African National Congress leader .

The comparison appears contentious. Thousands have died in political violence in South Africa, at the hands of the state or in faction fighting. Although apartheid is being dismantled, its legacy will affect the lives of South Africans for decades.

But Dr Ransome-Kuti, whose surgery in an overcrowded Lagos suburb doubles as the committee's headquarters, is talking not of legacies but of what he sees as double standards.

Both countries are in transition to democracy, but South Africa is under far greater scrutiny from outside.

Yet Nigeria's human rights record is severely blemished. Dr Ransome-Kuti, brother of Professor Olikoye Ransome-Kuti, the country's health minister, points out that the past year has seen abuses which, had they occurred in South Africa, would have provoked an international outcry.

And unlike South Africa, where such restrictions would be rejected by white and black alike, Nigeria's move to democracy is strictly circumscribed by the military administration of President Ibrahim Babangida: only two political parties are permitted and their manifestoes have been written by the government.

The list of abuses cited by Dr Ransome-Kuti and officials of a second human rights body active in Nigeria, the Civil Liberties Organisation, is disquieting.

It includes harassment of the press and civil rights campaigners, extra-judicial killings and secret executions, arbitrary arrests, appalling prison conditions and a heavy handed slum-clearing operation that left hundreds of thousands homeless.

"Nigeria has never had it so bad with respect to the observance of human rights", commented the committee's 1990 report.

Dr Ransome-Kuti points out that Decree No 2, for example, permits detention without trial. Decree No 47 bans students from demonstrating; Decree No 9 gives the president, his deputy and military governors immunity from civil or criminal prosecution.

One of the most flagrant abuses took place last July, when the military governor of Lagos state, Colonel Raji Rasaki, ordered in bulldozers to raze one of the city slums.

Acres of rubble and a solitary police post are now all that is left of Maroko, a sprawling township that once housed scores of thousands.

Few dispute that something had to be done about the settlement, whose residents had been under threat of eviction since they first settled there in the 1950s. Sewage and other services were rudimentary, and the area is subject to frequent flooding.

But instead of an orderly, government-assisted evacuation to alternative sites, the residents were summarily evicted in a military-style operation.

Most are now scattered in shanty villages and high density suburbs that surround Lagos, and are probably worse off. All have lost possessions; those who had jobs as labourers or clerks are further from their workplaces; and services are as rudimentary as they were in Maroko.

In the village of Aja, for example, a spokesman for a group of refugees shows makeshift huts made out of strips of corrugated iron salvaged from Maroko. An unlined well, shared with other residents, is the main water source, its cover padlocked because supplies have to be rationed.

A second example of Nigeria's shortcomings was provided earlier in the year when the Civil Liberties Organisation exposed horrific conditions at the Kirikiri maximum security prison in Lagos.

A 50-page report published last March revealed a death rate of three prisoners a week, most of whom were awaiting trial.

The report described the "brutal and dehumanising" treatment of inmates held in crowded, poorly ventilated cells "infested with bedbugs, lice, mosquitoes and cockroaches".

The organisation's criticism of the "very poor" food provided has been borne out by pictures of skeletal prisoners which have appeared in the Nigerian press.

Government officials, who say they have since introduced reforms, acknowledge that some 450 prisoners around the country died in captivity during the first half of 1990 (more than 800 died in the first six months of 1989).

A third case which attracted criticism last year from civil rights bodies, including the London-based Africa Watch, involved the treatment of soldiers who allegedly took part in a failed coup attempt on April 22.

After appearing in camera before a military tribunal, 42 of more than 70 soldiers accused of complicity were executed, and 31 committed for retrial. Despite local and international pleas, a further 27 went to the firing squad, prompting the British government to protest and postpone a scheduled ministerial visit to Lagos.

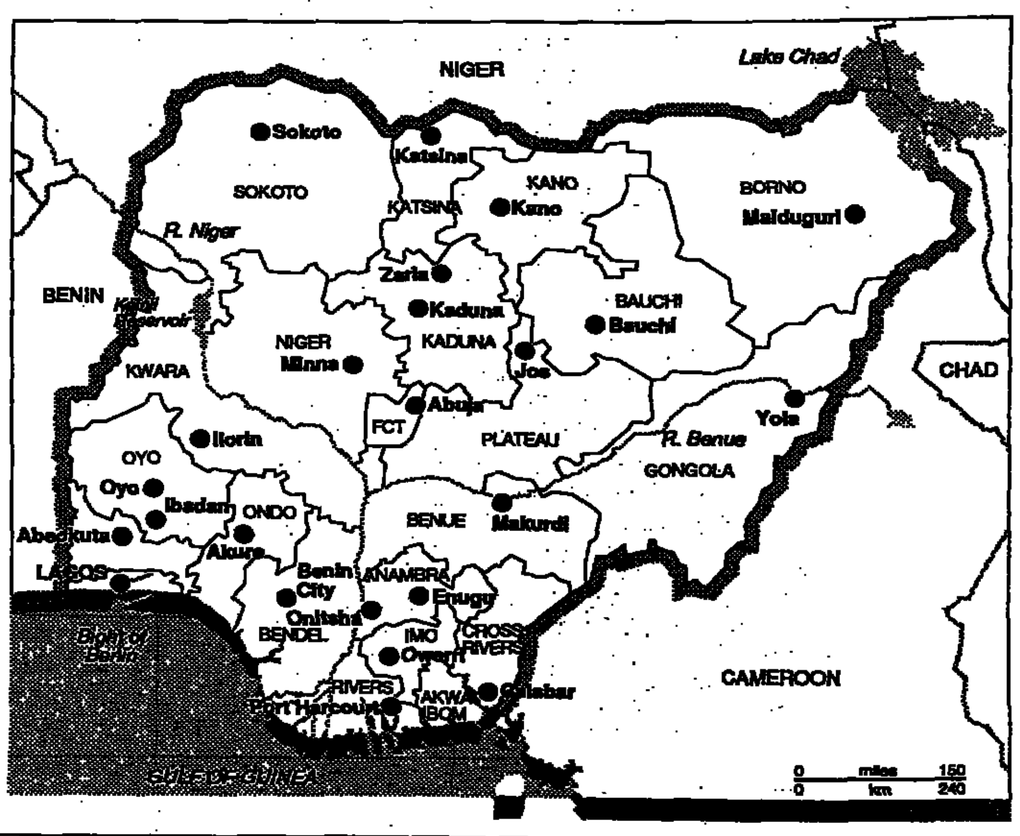
Dr Ransome-Kuti acknowledges that the government has sometimes responded positively to pressure, and recourse to the courts is sometimes successful.

Two newspapers closed in the wake of the coup attempt were allowed to reopen, and Maroko evacuees won their case against ejection from housing estates where they had taken refuge.

But Dr Ransom-Kuti is not impressed by the observation that, notwithstanding these and other abuses, Nigeria is one of the most open societies in Africa with a degree of press freedom enjoyed by few states on the continent.

"Africa's record on human rights makes this a poor yardstick", he replies. "Nigeria should be judged according to international standards."

Michael Holman



The impact of the Gulf war on oil prices and the transition to civilian rule dominate the economic agenda. **Tony Hawkins reports**

Nagging doubts remain over government strategy

TWO issues will dominate the Nigerian economic agenda this year – the oil price and expectations surrounding the transition to civilian rule.

For policy makers, the oil market gyrations of the past six months have had a debilitating, mirage-like quality. Hopes that the steep rise in oil prices after Iraq's invasion of Kuwait would liberate Nigeria from a decade of debt-driven stagnation have been replaced with nagging doubts over the viability of a strategy that assumed debt reduction, relative price stability at home and strong export growth.

By any yardstick, 1990 was a good year for the economy; GDP growth accelerated from 4 per cent to 5.2 per cent, spearheaded by 12.4 per cent expansion in the oil sector, while manufacturing output increased more than 7 per cent.

The current account of the balance of payments moved into modest surplus from a deficit of more than $2bn the previous year, while the country's foreign reserves doubled to $3.2bn and now represent six months import cover. Exports increased by a third to $11.1bn, reflecting a higher average oil price and increased production.

After four years of falling imports, there was an 8 per cent increase in foreign purchases and the trade surplus widened substantially to $4.9bn from $2.6 bn in 1989.

After averaging 50 per cent in 1989, inflation slowed dramatically to 8 per cent; the exchange rate stabilised to average N8 to the dollar, a decline of 8 per cent after a 38 per cent devaluation in 1989.

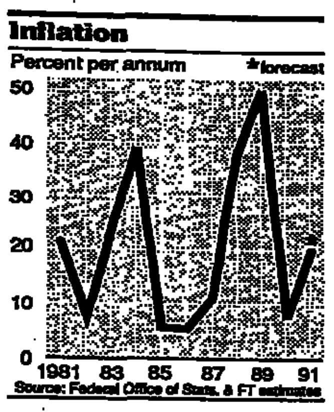
Slower inflation and exchange rate stability can be traced directly to the 1989-90 credit squeeze as a result of which bank lending increased 11 per cent last year. The authorities kept a tight rein on government borrowing from the banks which rose less than one per cent.

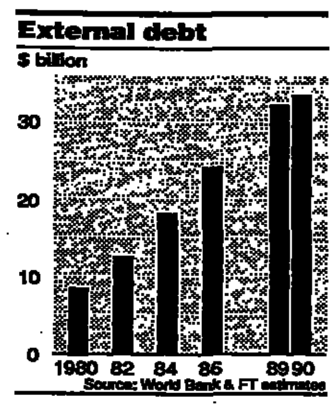
The policy framework was strengthened with the negotiation of a new IMF standby agreement (though Nigeria will not draw on the credit), a successful Paris Club rescheduling agreement in January 1991, and good progress towards a rescheduling and debt buy-back agreement with the London Club of commercial bank creditors.

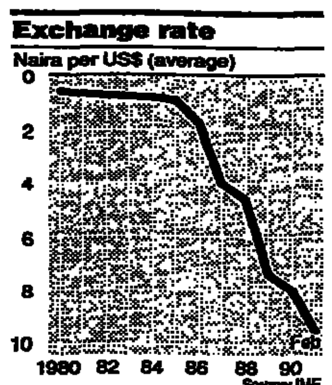
Some 30 enterprises, mainly small parastatals, were privatised and the privatisation agency reports good progress towards the commercialisation of 32 public enterprises this year. Steps were taken to strengthen the financial system with prudential guidelines for banks.

But it was not an entirely unblemished performance; recorded non-oil exports – and millions of dollars of unofficial exports seep across Nigeria's porous borders – fell slightly to $430m. This was 45 per cent lower than in 1987 and a depressing result for those expecting devaluation to create a platform for non-traditional exports.

Government spending exceeded budget targets and although this was largely funded from the stabilisation reserve, it raised the now-familiar doubts about the administration's capacity to control expenditure.







GROSS DOMESTIC PRODUCT

Year	GDP (N bn)*	GDP per capita (N)*
1981	77.8	922
1982	78.2	895
1983	75.0	815
1984	70.0	735
1985	75.5	750
1986	77.9	750
1987	78.8	735
1988	81.7	740
1989	86.9	760
1990	90.6	775
1991**	94.4	785

*at constant 1984 prices. **forecast. Source: Federal Office of Statistics, Lagos.

BALANCE OF PAYMENTS ($M)

Year	1989	1990	1991	1992
Exports				
Oil	7,835	10,640	11,900	12,500
Other	450	430	450	475
Total	8,285	11,070	12,350	12,975
Imports	5,735	6,215	6,790	7,420
Trade surplus	2,550	4,855	5,560	5,555
Invisibles (net)	-4,610	-4,600	-5,475	-5,125
Current account	-2,060	255	85	430
Capital account	-3,550	-1,740	-3,960	-2,460
Overall balance	-5,610	-1,485	-3,875	-2,030

Note: figures are rounded and do not take 1991 rescheduling agreements into account. Source: Government of Nigeria

Indeed, the whole area of public sector expenditure and government investment programmes remains problematic. Lagos and the World Bank have been at odds over the future of the Ajaokuta steel complex and the proposed aluminium smelter, which may be dropped.

Improved economic performance was the result of a combination of good fortune, in the form of increased oil exports and prices, and good management, especially the tight clamp on government borrowing.

This will be a hard act to repeat in 1991, especially if oil revenues fall short of expectations. At current export levels of 1.55m bpd, oil revenues will rise only 12 per cent to almost $12bn and with non-oil exports stuck below $500m, last year's small current account surplus could disappear.

Indeed, many analysts would argue that the $21 price projection is optimistic, as could be the forecast level of exports. A one dollar fall in the average price will cost Nigeria $565m a year. More seriously, the reimposition of Opec quotas – which currently allocates Nigeria 1.29m bpd – would lop $3bn off exports at the Opec price of $21 per barrel.

Before Nigeria's $17.5 bn Paris Club debt was rescheduled, debt-service obligations for 1991 amounted to $7.4bn, or 63 per cent of export earnings. The rescheduling agreement reduced that to just under $4bn (32 per cent of exports), and if London Club obligations of $1bn can be similarly trimmed, then Lagos will have succeeded – for the first time – in keeping its scheduled debt-service payments within its self-imposed ceiling of 30 per cent of export earnings.

But even with rescheduling, the debt burden is so heavy that there is little room for manoeuvre.

Since 1985, when the capital account was in rough balance, Nigeria has experienced a net capital outflow of more than $14bn. While there may be a net capital inflow this year, the military government's clamp on new external borrowing means that if an inflow materialises at all, it will be only marginal.

Meanwhile, the real economy will continue to take the strain; imports this year are slated to rise 10 per cent and will still be 20 per cent lower than in 1985 and 65 per cent below their 1981 peak. In an economy that is heavily import-dependent, this must constrain industrial and employment growth and new investment.

Growth will slow, especially if an early end to the Gulf war means not just lower oil prices but also reduced oil output. Inflation, which was running at 3 per cent in the final quarter of 1990, is being rekindled by the slide in the naira and the drought in the north.

Last year's relative exchange rate stability will not be repeated. The "Dutch auction" system reintroduced late last year is turning out to be a one-way route, forcing the naira rate down against a weak dollar – from N8 to the dollar in November to N9.5 in mid-February.

Some thirty enterprises, mainly small parastatals, were privatised

With industrialists, bankers and speculators expecting the slide to take the rate well into double figures, demand is buoyant. Everyone wants to buy before the rate slips any further.

Here too, the authorities are caught: clearly they are reluctant to tighten credit and reverse their popular policy of forcing down interest rates, since this would choke off any recovery in consumer spending and business activity. But if they do not tighten, the exchange rate slide will continue until import-induced inflation bites into domestic demand and reverses the rise in capacity utilisation.

A one dollar fall in the average price of oil will cost Nigeria $565m a year, while the reimposition of Opec quotas would lop $3bn off exports

This scenario is not as bleak as it sounds. Provided the oil price does not collapse below $15 a barrel, Nigeria will maintain its slow recovery.

Important new policy initiatives are at hand – deregulation of the capital market, commercialisation of the major utilities, completion of the privatisation programme of 110 enterprises by mid-1992, far-reaching reforms in the banking sector (including the abolition of credit ceilings), freeing up the foreign currency auctions and greater reliance on indirect methods of monetary control.

It is vital that these reforms be implemented, which is why the breathing space afforded by debt-restructuring is so timely. It will allow the Babangida government, in its final 18 months, to push forward the frontiers of structural adjustment in the hope – the expectation – that the new structure will survive the opportunistic short-termism of civilian administrations.

However disconcerting some of the numbers, five years of structural adjustment have changed perceptions to the point where there is a sense of irreversibility. The "new breed" businessman, the young banker or industrialist, with an American MBA and some experience of the wider world, sees no future in a return to the freewheeling days of import licence patronage, an absurdly overvalued naira and a national lifestyle that depended on a combination of foreign borrowing and the build-up of trade and foreign debt arrears.

That structural adjustment has failed to live up to some of its promises is undeniable, but this is to be expected given the intractable nature of the problems and need for more time. "We expect too much too soon", says one Nigerian industrialist, ruminating on the failure of multinationals to invest, the retreat of the international banks and the disappointing performance of non-oil exports. Mauritius aside, there are precious few cases of economies that have been turned round in years rather than decades and even the famous Mauritius export processing zone took a decade to come good.

With the worst of the debt-burden off its back, with the prospect – perhaps not in 1991 but thereafter – of improved energy prices, the development of liquefied natural gas and petrochemicals, and above all, the structural reforms of privatisation, commercialisation and de-regulation, the Nigerian economy is turning the corner.

But the process could still be torpedoed if oil prices collapse and, more substantively, if the civilian politicians, like the Bourbons, demonstrate after 1992 that they have learned nothing and forgotten nothing.

Who is owed what

FOREIGN DEBT ($bn)

	CBN	Paris Club
Multilateral	3.7	3.7
Paris Club	17.1	17.5
London Club	5.9	5.9
Promissory notes	4.6	5.5
Other	1.7	2.4
Total	32.9	34.9

Source: CBN, Paris Club. Figures have been rounded.

DEBT SERVICE ($M)*

	1989	1990	1991	1992
Interest	2,445	2,343	2,761	2,355
Capital repayments	3,441	2,415	4,666	3,085
Arrears	305	1,239	200	(–)
Total	6,191	6,000	7,627	5,440

*before rescheduling. Source: Government of Nigeria

ESTIMATES of Nigeria's foreign debt are usually prefaced by the word "about".

The 1991 budget estimates the debt at $31.5bn (as at October 31 1990).

The year-end figure for 1990 is put by the Central Bank of Nigeria (CBN) at $32.9bn. But according to the Paris Club of official creditors, the debt is $2bn higher, at $34.9 bn.

The discrepancy arises from differences over Paris Club debts, promissory notes and bilateral and supplier credits.

The severity of the debt burden is underlined by the fact that in 1980, when the foreign debt was $9bn and GDP $99bn, the debt/service ratio (interest and capital payments as a ratio of exports) was less than 2 per cent.

By 1990, GDP had slumped to $37bn, giving a debt/GDP ratio of 109 per cent, compared with only 9 per cent 10 years earlier, while the debt-service ratio exceeded 60 per cent.

Budget analysis is a difficult task, as **Tony Hawkins** reports

An incomplete picture

INTERPRETATION of Nigerian budgets is an art form in itself. The database with which the analyst must work is narrow and unreliable; the budget ministry complicates the task, throwing such curved balls as the stabilisation fund and the federal allocation formula, while treating capital repayments as above-the-line expenses to be defrayed from revenue.

The assumptions underlying the budget are a confusing mix of the obviously conservative and overly optimistic. But most difficult of all, if hardly surprising, is the incompleteness of the picture – the knowledge that a great deal of off-budget activity, revenue as well as expenditure, is being by-passed.

The 1991 budget, designed to achieve a tiny surplus of N100m after last year's N22bn deficit has had a good press. The projected surplus has been welcomed on all sides as evidence of a fiscal rectitude for which Nigeria has not been noted in the past, while the business community has reacted with varying degrees of enthusiasm to the abolition of excess profits tax and the lurch into protectionism embodied in substantial increases in import tariffs.

The government says the *1990 deficit at N22.3bn* was more than double the N10.8bn forecast a year ago, mainly because of overruns on capital account, including debt-repayment.

Recurrent spending was only 13.5 per cent above target while capital expenditure and debt-servicing ran 41 per cent ahead of forecast.

But the actual deficit was far lower than the reported one for three reasons:

● The stabilisation fund of N14.5 bn covered two-thirds of the deficit. This fund represents *the difference between* forecast and actual oil revenue and arose primarily from an underestimate of oil revenues in 1990, when a price of $16 a barrel was forecast.

● Nigerians treat capital repayments as an above-the-line item to be met from revenue, whereas it is usually regarded as part of the financing process and treated below-the-line.

● Loan repayments by state governments are excluded from revenue.

When these three adjustments are made to the 1990 budget, the N22bn deficit falls to only N2bn, or less than one per cent of GDP.

This implies that the targeted 1991 surplus represents little change in the fiscal stance. Even so, the balanced budget objective may well still prove elusive. Perhaps the main reason for this is the collapse in the oil price below the $21 a barrel assumed in the budget. If some of the more optimistic post-Gulf scenarios occur, then after two years in which oil revenues have been understated, the boot may be on the other foot. Lagos may find it has overstated its oil export earnings forecast at some N80bn. This forecast assumes exports of 1.29m bpd at a price of $21 and an exchange rate of N8 to the dollar.

While the price slipped below $21 *after the outbreak of* the Gulf War, production and exports are well ahead of OPEC quota at 1.9m bpd and 1.6m bpd respectively, while by early February the exchange rate had depreciated to N9.5 to the dollar amid predictions that a double-digit exchange rate average was likely for 1991.

This means that even if the oil price were to fall to $16 a barrel, at current output levels and likely exchange rates, gross oil revenues would still exceed N100 billion and the Federal government's revenue would be closer to N50 billion than the forecast N39 billion. Import duties would also be *30% higher due to the* exchange rate slippage.

But three factors, all arising from sharper exchange rate depreciation, would push up the expenditure side too - faster inflation, substantially higher external debt-service charges and more costly imports, especially of capital equipment including military hardware.

In the light of these considerations, the Ecomog operation in Liberia, rumours of substan*tial*, presumably off-budget military spending in the region of *N15 billion, and the certainty* of higher inflation, the spend*ing targets* look *unrealistically* low. But so early in the year *and in the shadow of the over*whelming imponderable of oil production and prices, seeking to forecast whet her the revenue swings will outpace the spending roundabouts is futile.

So long as the current account of the balance of payments remains in surplus, the budget will be in rough balance, if not surplus. The bottom line will be government borrowing from the banks since the budget is based on the assumption that net public sector borrowing will be zero this year. When the Central Bank releases its half-year economic report in the summer, it is this figure that will show whether or not the budget is on track.

Finance Minister Alhaji Abubakar Alhaji: his 1991 budget aims to achieve a tiny surplus

NIGERIAN BUDGET 1990-91 (Naira bn)

	1990 budget	1990 actual	1991 budget
Revenue	25.4	27.2	38.8
Expenditure			
Recurrent	10.4	11.8	12.3
Capital	7.4	11.6	9.7
Debt service			
Internal	5.1	7.9	
External	13.4	18.2	16.8
Total	36.3	49.5	38.8
Deficit	10.8	22.3	
Financing			
Loans	1.3		
Stabilisation fund		14.5	
Domestic borrowing		6.4	

Source: Federal Government of Nigeria, CBN

FOREIGN INVESTMENT

Emotive issues are at stake

ALTHOUGH there is more foreign capital invested in Nigeria than in any other sub-Saharan country, excluding South Africa, prospects for new, non-energy inward investment are poor.

In recent years direct investment inflows have averaged $600m annually, almost all in the energy sector. There has been very little new investment interest in manufacturing – Coca Cola's Nigerian venture being the exception – and while there are many cases of reinvestment (sometimes through debt-equity swaps, by Nestlé, Glaxo, Sterling Drug, Dunlop and others), some western companies, most notably multinational banks, have sold their Nigerian operations.

While foreign businessmen agree that the *Nigerians have taken important steps* to encourage new investment, many of the *fundamentals remain* unfavourable, especially for the existing investor. Newcomers have greater flexibility since they are not necessarily tied to the indigenisation decrees requiring foreign firms to offer up to 60 per cent of equity – depending on the industry – to a Nigerian partner or shareholders. But the fact that Coca Cola is the only major multinational to have come into the Nigerian market since this requirement was relaxed two years ago suggests that discrimination *against existing* investors is counter-productive.

Indigenisation is a emotive issue; foreign businessmen at last November's Nigeria Investment Conference in London were visibly taken aback at the depth of Nigerian hostility to any relaxation of the rules. This reflects the *fear* that existing management and shareholders would be nudged out of their present positions by multinationals were control to return to foreign shareholders, along with the mistaken belief that international investors are waiting in the wings to buy up "grossly undervalued" Nigerian assets.

This Nigerian viewpoint *ignores* the reality of the operating environment. Costs – other than direct labour – are horrendously high, naira devaluation notwithstanding. The infrastructural deterioration continues apace – be it Lagos airport, the roads, the electricity network and above all the telephone system, which is as bad now (if not worse) than at any time in the last decade. Skilled technical personnel are hard to find and costly. Expatriate quotas are a constraint in high-tech activities, but in other sectors, the quotas are redundant since expatriates are so expensive that no foreign firm uses them where experienced and qualified Nigerians are available.

As long as it was a high-return, high-*risk* economy, Nigeria *could attract new* investment, but the steep decline in the naira has *changed the rules of that* particular game. As one industrialist puts it: "*Here*, we have to run very fast just to stand still." Even successful businesses are unable to increase naira earnings rapidly enough to maintain, let alone increase, hard currency dividends.

The trick – and it is one that Nigerian critics are quick to seize upon – is to pursue offshore earnings by exporting, or taking profits in the form of royalties, patents and technical assistance fees, invoiced in hard currencies.

In any case, it is hard to justify new investment in an economy where per cap*ita incomes have fallen 15 per cent in the* last ten years and where capacity utilisation in manufacturing industry averages 40 per cent. This last *statistic* needs to be *taken* with several pinches of salt as there is a widening gap between theoretical and actual capacity – the inevitable consequence of ageing equipment and inadequate maintenance over the years, often the result of shortages of spares.

At the same time the naira cost of investment has risen sharply with the fall in the naira. A road haulage truck and trailer that would have cost N30,000 (£30 000) five years ago, costs N1.2m (£60,000) today. At the same time, because of shrinking consumer spending power, the naira price of many *domestic* products *is* low by *international* standards.

Then there is discrimination against existing *investors*. "With a 40 per cent stake, we don't have management control, nor any *influence over* who is appointed to the board. Our overseas parent is hardly likely to *commit* new funds especially when there are so many other drawbacks and *imponderables*", says one investor in a joint venture.

Above all, Nigeria remains a high risk economy – vulnerable to oil price fluctua*tions* and the economic consequences of the transition to civilian rule, which many businessmen fear will undermine the Babangida government's achievements. Against this background, and given the marginalisation – in the eyes of multinational business – of the entire sub-Saharan region, it is not easy to see any marked revival in inward investment.

The problem will come under *the spot*light again at a UNIDO-sponsored promotion forum to be held in Abuja *from May* 6-10. More than 300 projects, covering almost every *aspect* of industrial activity, have been put forward. On the face of it, there are very *few multinationals* putting forward projects though there may be *joint*-venture links. Instead, there is a very broad spread of indigenous firms focusing *primarily* on projects processing domestic raw materials – exactly what structural adjustment is all about.

What is unclear is how many of the projects could be implemented without significant foreign input. Fortunately, the "new breed" of Nigerian businesspeople educated abroad, often with work experience in Europe or *North* America, understand that industrial development needs foreign funding, technology and expertise. Less chauvinistic than *their* more *senior* colleagues, the "new breed" may yet manage to revamp Nigeria's *tarnished* international investment image – but it will take time for *perceptions to change*.

Tony Hawkins

Tony Hawkins analyses corporate results in a tough climate

The profits surge slows

AFTER the inflation-driven boom in 1989, when corporate profits surged 62 per cent, margins came under pressure in 1990, especially in consumer industries. In the words of one industrialist, "it was the consumer's turn to be sapped" as the authorities tightened the monetary screw in their highly successful campaign to squeeze inflation.

Company results reported by 80 publicly-quoted companies for the financial year 1989-90 show that turnover growth held steady at 37 per cent – the same as in 1988-89 – but profit expansion slowed to 29 per cent, down from more than 60 per cent the previous year.

As a result, margins were squeezed and pre-tax earnings, as a percentage of turnover, slipped below 11 per cent for the first time since 1982-83 when the figure (for a much smaller sample of firms) was 9 per cent.

Turnover in companies included in the sample exceeded N16bn, dominated by four groups of businesses – trading houses, oil companies, tobacco and beverages, and textiles. Between them, these four categories accounted for more than three-quarters of turnover – a vivid illustration of the restricted role of broad-based manufacturing in Nigeria.

Indeed, when ranked by turnover in 1989, only two companies outside these four categories – Lever Brothers and Peugeot Nigeria – make it into the top 20. The rest are oil companies, trading houses, beverages and the construction group Julius Berger, which is active in building the new capital at Abuja.

For many businesses, the decline in consumer spending power, rampant inflation, the credit squeeze and soaring interest rates were the main problems. For most of 1990, the exchange rate was stable, which made it easier to contain cost-push pressures, but managerial efficiency was tested by high interest rates and low, though improving, levels of capacity utilisation.

Some companies came through with *flying colours*: in the year to September 1990, UAC Nigeria, *Unilever's* Nigerian trading and manufacturing *associate, pushed turnover up* more than 40 per cent without *any increase in total expenses*. Profits were up a modest 8.5 per cent and *margins* were substantially lower at 13.6 per cent compared with 17.8 per cent the previous year; but this was still a sparkling performance at a time when the officially-calculated inflation rate averaged 12 per cent.

UAC achieved improved volumes even in its consumer-oriented activities, but the best performers were the tractor and equipment division (riding on the back of strong growth in the energy sector and also in construction), the motor group and textiles.

Paterson Zochonis, traditionally a top performer, was able *to boost margins from 10.5* per cent in 1989 to 11.4 per cent last year, while bucking the consumer trend. Seven-Up virtually doubled pre-tax earnings on the back of a 94 per cent increase in turnover, though margins remain slim at 5.2 per cent. Nigerian Bottling, which has the Coca Cola franchise, enjoyed a 56 per cent increase in turnover, but with profits up 40 per cent, margins slipped to 9 per cent from more than 10 per cent in 1989.

Since 1982, margins in the FT sample have averaged 12 per cent, fluctuating between a high of more than 16 per cent in the pre-SAP austerity days of 1984-85 to just below 11 per cent last year.

However, these figures, like the return on assets numbers published by the Nigerian media, must be treated with circumspection. One industrialist says that while his assets have a book value of N30m, their real value is probably ten times that. Asset values are, on the whole, lagging way behind replacement cost. As a result, the real return on assets is a good deal less than corporate accounts show.

But this is only part of the story. Profits are swollen too by the holding gains arising from inflation, by under-depreciation and by the fact that for many companies, the assets are already completely depreciated in the books. Once replacement cost factors are taken into account, profit performance is far less impressive.

For the multinationals the bottom line is the hard-currency return they are getting from their Nigerian associates. Few, if any, have been able to maintain the sterling or dollar value of dividends since 1985 when the value of the naira has plummeted from parity with the dollar to below $0.11.

Tony Hawkins sees a hard year for the banks

Life gets tougher

ALTHOUGH the long predicted shake-out has yet to happen, 1990 was a challenging year for many banks, and 1991 is likely to be still more difficult. Yet there is no sign of a slowdown in applications – and approvals – of bank licences. Currently, 106 banks take part in the weekly foreign exchange auction, up from 82 at the end of 1989, and between 30-60 new applicants are in the wings.

The authorities, committed to deregulation, see no case for holding back on licences, but they are making life tougher for the banks in three ways.

First, the January decision to force down interest rates. Banks are not popular in Nigeria and the government's complaint that they were maintaining lending rates at an average of 28 per cent when inflation was below 20 per cent was widely applauded. But to some extent, the authorities have only themselves to blame. Banks must comply with government-imposed credit ceilings, which means that demand for credit invariably exceeds lending capacity, maintaining upward pressure on lending rates. Bankers argue their lending rates are determined by the market and were beginning to fall even before the authorities intervened.

The decision to re-regulate interest rates was sharply criticised, though the Central Bank of Nigeria (CBN) has been at pains to offer justification for the maximum lending rate of 21 per cent. It estimates the banks' cost of funds at around 15 per cent, to which they are allowed to add 2 per cent for overheads and a 4 per cent spread.

Some bankers believe the cap on lending rates will be only temporary. The 21 per cent ceiling is driving deposits away from the banks to the unregulated finance houses and into the parallel market for foreign exchange, where high returns are still available. While the authorities will soon move to close that loophole, by regulating the finance houses, cheaper money – welcomed by industrialists and traders – spells problems in the foreign exchange market.

The combination of a weak naira, faster inflation and the need to control money supply once credit ceilings have been lifted is likely to mean higher lending rates before the end of the year.

The second challenge came last November when new CBN guidelines required banks to classify non-performing loans. These are defined as loans where interest and/or capital repayments are at least 90 days in arrears, or where such interest payments have been rolled over, rescheduled or capitalised.

Banks must make two types of provision for non-performing facilities – arrears of 90 days or more of interest payments cannot be accrued by the bank and full provision must be made for capital arrears. Where repayments are not yet due on non-performing loans, provision must be made according to their classification as sub-standard, doubtful or "lost" debts. In the sub-standard case, 10 per cent must be provided, rising to 100 per cent for "lost" facilities. Interest due on such loans cannot be treated as income.

The third factor is increased competition – for business and, above all, for experienced staff.

Nigerian banks have long enjoyed generous margins while offering a dismal level of service. Operational costs are high and wider spreads than those found in Europe or North America are essential, especially given the higher risk.

The system is dominated by the three main clearers – the United Bank for Africa (UBA) with assets of N11.4bn, followed by First Bank with N8.5bn and Union Bank, with N8bn.

Despite inflated margins, profits were under pressure even last year. The requirement to pay interest on current accounts has hit the money centre clearing banks – UBA, Union and First Bank. Until a year ago, demand deposit funds were nominally free.

Although there is much scathing comment about many of the new banks, it is the older and larger participants who are a threat to financial stability. "Shake any one of the big three and the whole edifice will come crashing down", says one banker. "Remember it is they who supply the bulk of liquidity to the market."

Not that there is any great risk; First Bank and Union Bank - two of the biggest banks - have enormous hidden reserves in their under-valued properties.

A more serious challenge is the restructuring of the older, indigenous operations – often owned by the states. Last August, the Nigeria Deposit Insurance Corporation reported that at the end of 1989, 27 of 69 banks were undercapitalised while 23 had "classified assets" – non-performing loans – that exceeded shareholders' funds. Bankers estimate that up to 20 banks may be insolvent.

The new banks, often with very little capital, are seemingly less at risk. The foreign exchange market, with generous margins and guaranteed weekly supply of foreign exchange, provides a solid base. They have not been in business long enough to expose themselves to the credit risks experienced by the older banks.

But the going will get tougher as deregulation and supervision gather pace. Capital adequacy ratios will be closely monitored (last month government raised the minium capital base for commercial banks from N20m to N50m; that of merchant banks rose from N12m to N14m). Credit ceilings are to be abolished and replaced by indirect monetary controls: an active interest rate policy; the issue of treasury bills and other central bank or government financial instruments; greater use of open market operations (including appointing some banks to operate as discount houses); variations in cash reserve and liquidity ratios; and the use of compulsory 90-day stabilisation securities to mop up excess liquidity. There are also plans to deregulate the foreign exchange market further.

As and when these reforms are introduced – probably by the third quarter – banking will become more professional and sophisticated.

There is no sign of a slowdown in applications for bank licences

STOCK EXCHANGE

An overdue dose of reform

THIS YEAR, it is the turn of the capital market to undergo what the budget and planning minister, Mr Chu Okongwu, calls "its overdue dose of reform".

Such a policy seems certain to be popular with almost everyone outside the vested interests in the Securities Exchange Commission (SEC) and the Stock Exchange. A recent official report concludes bluntly that the stock market is not a viable funding source for new businesses. Equity yields of just over 7 per cent are well below both the inflation rate and returns available on fixed interest stocks. Secondary market turnover is low, with investors tending to buy and hold shares. Most seriously, new issue pricing is in the hands, not of the promoter or issuing house, but of the SEC.

On a market capitalisation basis, Nigeria's stock market was the second largest in sub-Saharan Africa until 1989, with a market capitalisation of $1bn. While capitalisation rose more than seven-fold from N1bn in 1982 to N7.5bn in 1989, the market's dollar value fell 33 per cent to $1bn. Last year was better for investors, with the share price index surging 60 per cent and market capitalisation reaching N13.3bn last month.

It was the first year since 1984 that share prices had outpaced naira depreciation, so that by early this year the market was capitalised at $1.3bn – up 30 per cent. But this left it well behind the Zimbabwe Stock Exchange, up more than 50 per cent in 1990 to $1.6bn.

However, the Nigerian market is larger than its Zimbabwean counterpart in every other respect. It quotes about 130 equities, including 16 on its second-tier market, as well as more than 40 government stock issues and a similar number of debentures and preference stocks. Turnover, at more than N30m, has almost trebled since the mid-1980s, though in dollar terms, it is only 25 per cent of its 1986 level.

New issue activity increased substantially last year – from N825m ($300m) annually during the period 1985-89, to more than N11bn ($1.4bn) in the first nine months of 1990. Twenty enterprises were privatised via the Stock Exchange last year; soaring interest rates encouraged firms to seek new equity capital; and debenture activity increased sharply in response to the yawning reverse yield gap.

The SEC was pricing seven-year corporate loan stocks on yields of 21 per cent at a time when prime lending rates were averaging 28 per cent. The reverse yield gap has survived the lending rate ceiling of 21 per cent imposed in the budget as the SEC has lowered its debenture rate to 18 per cent.

Such a pricing system destroys the rationale of the market. One banker says: "In the US, the SEC was set up to prevent rigging and insider trading; in Nigeria, its function is to create an artificial market".

So long as the SEC determines the price at which shares and debentures are sold, the market will fail the cardinal test of channelling funds to users on the basis of risk and return.

Once this fundamental reform is undertaken, more large firms will turn to it for funding. The potential gains are far-reaching; commercial bank term lending – for one year or longer – accounts for only 15 per cent of bank credit while in the case of merchant banks, the ratio is much higher at 60 per cent. This forces industry to rely heavily on short-term credit.

Capital market reform could be used to fudge the indigenisation decree requirements limiting ownership by existing multinationals to no more than 60 per cent – and often 40 per cent – of total equity. While this requirement was relaxed for new investors in 1989, it continues to constrain expansion by existing firms whose overseas boards are reluctant to invest where they do not have control. One solution would be de-regulation to allow foreign investors to regain control through the share and new issue markets, or to divest by selling their shares to the Nigerian public. But indigenisation is an emotive issue and reforms seem unlikely.

One problem reform is unlikely to solve is the channelling of long-term funding to small and medium-scale enterprise. This is being tackled by the government and donors, though the stock market's second tier has helped some medium-large firms to secure funds.

PRIVATISATION

Little room for manoeuvre

THE Technical Committee on Privatisation and Commercialisation (TCPC) is confident of completing its ambitious privatisation programme before the return to civilian rule next year. TCPC chairman, Dr Hamza Zayyad, says that the programme's greatest asset is the government's commitment.

When the programme was launched in 1988, 110 enterprises were slated for partial or full privatisation. By the end of last year, the process had passed the halfway mark. A total of 71 firms has been processed:

- The shares of 21 companies have been sold through the Nigeria Stock Exchange. A further 12 "pipeline cases" could have been sold last year, but privatisation was delayed by the heavy timetable of private sector issues. They will be offered to investors over the next six months, giving Nigerians the opportunity to invest in businesses ranging from oil palm companies and salt manufacturers to a hotel, a textile business and two fishing enterprises.
- Five companies have been sold by way of private placement of shares; another 10 will be treated in the same way.
- In the case of 23 state enterprises with poor track records and "a hopeless outlook", assets have been sold off piecemeal. Another 10 are scheduled to get this treatment.

It has been decided that no further action is needed for eight firms, while in January the TCPC announced its first management buy-out. The National Cargo Handling Co, set up 19 years ago, in which the federal government had invested N7bn, has been sold to management and staff.

Proceeds from the first 54 enterprises sold totalled N278m and the TCPC expects to bring another 24 state enterprises worth more than N1bn to the market. These activities have created a "shareholder democracy" of some 400,000 people.

Dr Hamza Zayyad describes the process as "an exercise in popular participation" with between three-quarters and 85 per cent of the shares being allocated to small-scale investors applying for between 200 and 1,000 shares. One privatised company now has 145,000 shareholders, making it Nigeria's most widely-owned enterprise.

But the further the process goes, the more complex it becomes. Enterprises still to be sold include the heavyweights – Nigeria Airways, the steel companies, pulp and paper factories, banks, financial institutions and the vehicle assembly plants. For several of them prospects are grim and it is difficult to see how they can be floated. Overseas investors might be interested, but this would almost certainly impose a heavy burden on the economy and there would also be political opposition to any such sale.

Perhaps even more challenging is the programme to commercialise 32 parastatals. Partial commercialisation – ensuring that enterprises generate enough cash flow to cover operating costs – will apply to 23 enterprises, including extremely inefficient operations like Nigerian Railways Corporation and the notorious National Electric Power Authority (NEPA). The loss-making Delta steel is also included.

Full commercialisation – operating profitably and being able to raise capital without government guarantee – will apply to the other nine parastatals, including the already-profitable Nigerian National Petroleum Corporation (where the critical issue will be domestic energy prices) and Nigerian Telecommunications.

Dr Zayyad believes his committee has broken the back of the commercialisation programme; reform packages have been drawn up and new boards are being appointed with the specific stipulation that board members be appropriately qualified and experienced. He expects management contracts will be signed within the next two months.

However, privatisation is behind schedule. With the civilians due to take over in 18 months time, there is little room for manoeuvre.

The TCPC's own programme, published at the end of last year, shows that many firms which should have been sold off have still to be brought to the market. Decisions are still pending on the treatment of 18 of the 110 enterprises – banking and vehicle assembly firms.

The industry is operating at full capacity, writes **William Keeling**

Oil sector set for expansion

THE OIL industry is central to the national economy. Last year Nigeria earned more than $10bn from crude oil exports, which accounted for more than 90 per cent of foreign exchange earnings. Because of the Gulf conflict and the suspension of Opec quotas, the industry is operating at full capacity. Approximately 1.95m barrels per day (bpd) of crude oil are being lifted, with more than 1.65m bpd for the export market. Although the price of Nigerian oil has fluctuated on the world market, it enjoys the benefit of selling at a premium even to North Sea Brent.

The Gulf crisis has highlighted Nigeria's role as a significant oil supplier outside of the troubled Middle East. But even before Iraq invaded Kuwait, the Nigerian oil sector was set for expansion after a decade of relative decline. The government has set ambitious targets for production capacity of 2.5m bpd by 1995 to return the industry to the peak it enjoyed during the last oil boom. A similar rise in proven reserves is envisaged from the existing 17bn barrels to 20bn barrels. High levels of investment are needed, however, with the cost of discoveries averaging $1.5 to $2 per barrel.

It is not surprising, therefore, that the immediate future for the industry lies not so much in the Niger delta but in the air-conditioned offices of the high-rise blocks of Lagos. The prime movers of the industry are the policy formulators, the deal makers and the money men who decide where the cash is spent and made. They will set the ground for the industry as it approaches the 21st century and will help decide whether Nigeria as an oil producer can capitalise on its relative political stability.

The investment plans needed to meet government targets are already in place. The largest joint venture, operated by Shell and owned by the Nigerian National Petroleum Corporation (NNPC, 60 per cent), Shell (30 per cent), Elf (5 per cent), and Agip (5 per cent), accounts for about half of national production. The joint venture has already announced a $8.5bn expenditure programme for 1991-96. Comparable programmes have also been announced by other joint ventures, with Mobil, in particular, planning to increase production from 240,000 bpd to 400,000 bpd by 1994, in addition to bringing on stream the 100,000 bpd Oso condensate field in 1993.

Approximately 1.95m barrels per day of crude oil are being lifted

Officials insist that the companies are taking a long-term view and that investment plans will not be curtailed by short-term falls in the oil price.

Although the investment is planned, its actual commitment depends upon a revised Memorandum of Understanding (MoU) being signed and a second five-year programme of work being agreed. Negotiations over a revised MoU (which guarantees a minimum profit per barrel for the oil companies, provides a realisable price formula and offers incentives for exploration and development) have been progressing in fits and starts.

Large fluctuations in the netback and spot prices of Nigerian oil since the Gulf crisis have further complicated an already intricate agreement. But as one oil expert explains, "the signing of the MoU, and with it the agreed programme of work, is critical for the industry".

The amount of new development work under way without a revised MoU in place is a sign of the oil companies' confidence that agreement will be reached. But a large amount of exploration and development is required just to keep the industry on track. The Niger delta reserves consist mainly of relatively small fields. With many of those nearing the end of their production life, new fields have to be brought on stream in order to sustain production. The decline in production from 2.4m bpd in 1981 to 1.8m bpd in 1989 has bottomed out and the industry is currently pumping at 1.95m bpd.

Oil executives are bullish that the industry targets set by government can be achieved. As Mobil chairman, Mr Alfred Koch, explains: "Technically, it's very realistic to add another 500,000-600,000 bpd based on today's discoveries and existing reserves. I think it is a question of capital restraints. Is the government, through NNPC, in a position to finance its 60 per cent share?" The cost of increasing reserves to 20bn barrels is approximately $5.5bn.

The industry appears caught between the potential of Nigeria's energy reserves and doubts among some investors who still regard Nigeria as a high risk. In the immediate future new players are likely to enter the industry. BP has made a bid for a deep offshore exploration plot and similar bids are expected from Exxon, Unioil and Conoco, all of the US. The BP bid is especially significant as the company played a central role in Nigeria's oil industry before its interests were seized in 1979 over allegations of indirectly shipping oil to South Africa. Its willingness to re-enter the industry is a clear indication of the importance attached to Nigeria as an oil producer.

Oil executives are bullish that government targets can be achieved

Even as new companies are queuing up, however, potential projects are being placed at risk. The $1bn Oso condensate project has encountered problems over finance from the "London Club" of commercial banks, although these may soon be resolved. While past debts have soured Oso, there are rumblings within the industry that an unwarranted level of government interference is contributing to delays in the $3.5bn liquefied natural gas (LNG) project, which is crucial if Nigeria is to utilise its massive gas reserves.

Investor doubts are increased by the apparent determination of the government to push for a joint-operating agreement (JOA) with the oil companies, which would remove their status as exclusive operators of joint venture concessions. The draft JOA recently circulated by NNPC includes a clause allowing NNPC to take over joint ventures if and when it desires. Industry sources report, however, that the JOA signed between Mobil Producing Nigeria and NNPC last year left the question of transfer of operating rights open.

The oil sector remains so critical to the economy that the likelihood of significant government intervention remains slim. Oil company executives also insist that they appreciate the government's desire to involve and train Nigerian personnel in every facet of the industry. The danger, however, is that while both sides work out mutually equitable positions, opportunities to harness investment may have passed.

Petroleum Minister Professor Jibril Aminu talks to **William Keeling**

No fear of 'creeping nationalisation'

WITH production and reserve targets of 2.5m barrels per day (bpd) and 20bn bpd by 1995, the Nigerian oil industry is set for a major programme of new investment. What changes in policy have you adopted to attract the necessary investment?

It's not so much changes in policy as emphasis on policy. The first emphasis has been to ensure sufficient provision is made for cash-call. We have moved from about 70,000 bpd in 1989 to about 150,000 bpd for cash-calls. I was very pleased when I was told that last November, for the first time they [the oil companies] really had their money paid on the dot. This is going to encourage them. They have been asked to increase exploration and right now we have a total of about 25 rigs working all over Nigeria which is a reasonable increase in activity. Another thing, of course, is the Memorandum of Understanding (MoU). It has gone through its five years and it is due for renewal. We have been negotiating with the companies and the idea is to look at the guaranteed profit margin again, to look at the production costs and then to bring new innovations like an encouragement to increase the reserves and capacity.

Why wasn't the MoU revised in time for a new programme of work definitely to be put in place before the old one expired at the end of last year?

That would have been nice but I think that the oil companies have been negotiating with themselves. I would myself have preferred to have the MoU ready in time for the new year but, as you can see, these companies have been working and they have learnt to trust the environment. This increased tempo of upstream activity has so far not been reduced in spite of the fact that the MoU has not been signed.

Last year a foreign oil company signed a joint operating agreement, the first in Nigeria, and others are being asked to do the same. There is concern over the inclusion of a clause allowing the transfer of exclusive operating rights to NNPC. Is this not tantamount to creeping nationalisation?

I don't think they have any need to fear that. Nationalisation is not done by creeping. Nationalisation is a political decision which is quite sharp, where governments and nations just tell companies, "this is what we want to do, this is what we want to happen". This is not the situation here in Nigeria. Nevertheless, in the oil business in Nigeria, after being independent for 30 years, the only fully Nigerian company is making less than 1,000 bpd. Granted there are Nigerians who are working in top positions in these so-called foreign companies. In fact, that is one reason why probably the whole question of nationalisation does not have to be pushed through. I think that the companies should be the first to agree that agencies, which Nigeria as a nation set up, have a right to operate. It is time for them to accept that it is not nationalisation, it is partnership taken to its logical conclusions. I can understand their worry. Probably they have never tried this type of thing anywhere. I can only advise them to realise that if they tried, they might like it.

On the giant LNG project, have the crucial buyer agreements been signed and, if not, should we expect the project completion date of 1995 to slip a little?

I think that a slip would appear inevitable but I think it's perfectly natural with these things and I personally do not rate it as a major disaster. We have taken a firm decision to proceed with the LNG project. We are getting on very well with the partners, we are making the landmarks, albeit a bit delayed. We have the gas, we have the political will, we have the partners and we have the relationship with them that I think will lead us to success.

Chevron have proposed a $500m gas plant to feed the domestic market which is said to require a higher than current gas price to cover investment. A $1.5bn aluminium smelter is also being constructed which would benefit from a low gas price. Can you accommodate the needs of these and other potential projects under the existing pricing policy?

I have not had the opportunity to fully study the proposal from Chevron. If and when it comes we will have a look at it. I would like to see the basis for the calculations made by Chevron to demand a greater price for gas than has been approved by government. The price that has been approved by government at this time covers all industries, including the aluminium industry. At the moment, taking 10 naira to the dollar, we are talking about selling this gas at just over 50 cents (per 1,000 standard cubic feet). There is certainly a case for gradually increasing the price over time but taken overall, I think this price as of now is reasonable.

A number of new exploration plots are on offer. Do you expect new foreign oil companies to make bids, particularly for the deep offshore plots?

Not only do we expect, we have got them. A lot of them including some of our old friends who were here but left. We've got a lot of them.

Prof Aminu: 'firm decision' to proceed with LNG project

NATURAL GAS

Huge reserves under-utilised

NIGERIA has proven natural gas reserves of 2.6 trillion (million million) cu m, or more than 15 times the annual consumption of Belgium, France, Germany, Italy, Spain and the UK combined. In addition, experts estimate Nigeria has a further 1.8 trillion cu m of probable reserves.

In spite of their enormous potential, the reserves are hugely under-utilised. The vast majority of gas produced is flared, an entirely wasteful use of resources. One oil company executive estimates that 18bn cu m, with a potential value of over $4bn, is flared each year, while domestic consumption stands at just 3bn cu m per annum.

A few steps have been taken to utilise gas with investment in a number of key industries. The National Fertiliser Company of Nigeria, operating fully since 1988, is supplied with 45m standard cu ft per day, and electricity stations at Afam, Sapele and Ughelli are also consumers. A new $800m petrochemicals complex is being constructed at Eleme which, when completed in 1993, will use natural gas feedstocks for the production of its 740,000 tonnes output of ethylene, propylene, polyethylene, polypropylene and butene-1. A proposed 180,000 tonnes per year aluminium smelter will use gas to fire its 540MW electricity plant.

But these companies combined still leave the resource relatively under-developed.

At the heart of the strategy to exploit Nigeria's gas potential are two projects, one for the export of liquefied natural gas (LNG) to Europe and the US, the other to collect and process associated gas currently being flared for distribution to the domestic market.

The larger of the two is the LNG project. This entails a two-train plant capable of producing up to 4.5m tonnes per annum of liquefied gas, equivalent to 5.5bn cu m. The project has run into difficulties, however, mainly due to the competitive nature of the international gas market and the high capital cost of setting up the industry.

In 1989, the company Nigeria LNG was created with the responsibility for securing gas supplies, building and operating the plant, and marketing the gas.

The company is owned 60 per cent by the Nigerian National Petroleum Corporation, Shell Gas (20 per cent), Elf (10 per cent) and Agip (10 per cent). The original timetable assumed that buyer-agreements would be in place by mid-1990, with the main contracts awarded at the beginning of this year.

The vast majority of gas produced is flared

After several years of protracted negotiations, however, buyer agreements are still not in place and project tenders have yet to be offered.

Sources close to the project report that negotiations with Ruhrgas of Germany have failed. Nigeria LNG has made preliminary allocations to Cove Point and Cabot of the US, SNAM and ENEL of Italy, Enagas of Spain and Gaz de France, but nothing has been signed. Nigeria LNG officials concede that the date for first deliveries has slipped from early 1995 to late 1996.

The failure to secure buyer agreements is not the only obstacle to the project's completion. Estimated costs have risen in the last year by 48 per cent to $3.7bn, which has further squeezed the marginal economics of the project.

Officials also fear that following the Gulf war the major constructors needed by the LNG project will seek large contracts in Kuwait.

Officials have also expressed serious misgivings over the level of government interference in the project, particularly the question of who operates the ships which will transport the gas.

Some financial commitments, however, have been made. Local people are being relocated from the project site at Finima in Rivers state; Nigeria LNG has bought four ships to transport the gas and refurbished two. Project expenditure has already reached $200m whilst commitments totalling a further $100m have been made.

Investment is restricted by pricing policy

The company is also expected soon to take the brave step of putting the construction contracts for the LNG plant out to tender without all the buyeragreements in place. As one company official notes, "we need to show that we are serious with this project, then the buyers will come forward".

The second potential project is a proposal by Chevron, which owns the Gulf Oil Company of Nigeria (GOCON), to construct a plant to recover 300m cu ft per day of associated gas presently being flared at its rigs. The $500m project entails recovering for export the condensate, propane and butane from the gas. The residue gas would then be sold to the state-owned Nigerian Gas Company for distribution.

The main obstacle is the gas pricing policy adopted by the government which has recently announced a unified price of N5.24 (about $0.50) per thousand standard cubic feet. Of this amount, 60 per cent is kept by NGC and only 40 per cent is paid to the joint-venture supplier. As GOCON's managing director, Mr Donald Mahura, explains, "that amount would not make this project economic and it is unlikely that NGC will pay us the amount to make it economic".

While the Chevron project needs a higher price for the gas, public corporations are benefiting from the prevailing price set by the government. Cheap gas means low cost petrochemicals, cut-price fertiliser from NAFCON, competitively-priced aluminium from the proposed aluminium plant and affordable electricity from the Nigerian Electric Power Authority.

The low price, however, is a disincentive for oil companies to invest in infrastructure. Executives of oil companies which have installed gas facilities say they have made a loss on their investments and that the current price will not guarantee supplies of gas to projects such as the aluminium smelter.

In spite of its huge reserves, Nigeria's gas sector hangs in the balance, with investment in the domestic market restricted by the government's pricing policy and export potential limited by fierce international competition.

William Keeling

Is manufacturing out of the doldrums? **Tony Hawkins** reports

An upbeat mood in industry

NIGERIAN industrialists are more upbeat today than for a long time. Capacity utilisation has risen from 33 per cent a year ago to an estimated 40 per cent; interest rates have declined; there will be more foreign exchange available this year; excess profits tax has been abolished; and several firms, such as the tyre manufacturers, are getting more protection. Inflation is at its lowest for three years and until recently manufacturers enjoyed relative exchange rate stability.

"Prospects for manufacturing are much improved", says Dr Oladapo Fafowora, director-general of the Manufacturers' Association of Nigeria, though he expresses concern at rising unemployment and the slide of the naira. "If we can maintain the exchange rate stability enjoyed last year, then one could feel more confident about industry's emergence from five years of recession".

Manufacturing has been in the relative doldrums for a rather longer period; its share of GDP rose from 4 per cent in 1977 to a peak of 13 per cent in 1982, since when it has declined to 10 per cent. After four years of stagnation between 1984-87, manufacturing output has been growing at a respectable 6 per cent a year, largely reflecting the beneficial impact of the structural adjustment programme (SAP) after 1986.

Under SAP, low value-added activities (such as vehicle assembly and electronics) have suffered while domestic resource-based businesses (textiles, wood and furniture, food and beverages) have prospered.

There are signs that exports of manufactures are rising, though much of this is unrecorded trade. CMB Toyo Glass, for instance, is forecasting substantial glass packaging exports of some $10m this year. One report shows that the proportion of local raw materials used in manufacturing rose from 30 per cent in 1986 to 50 per cent last year. Local input usage is highest in wood and furniture, textiles, food and beverages and leather goods and lowest in pharmaceuticals and electrical goods.

Investment levels are low for a whole host of reasons, including foreign exchange scarcity, high interest rates and the disparity between the replacement or expansion cost of equipment and prices for which the final product can be sold in the home market. With the fall in the naira the replacement cost of existing assets is sometime ten times or more their original cost.

One consequence of low investment is an ageing capital stock. One survey found that three-quarters of manufacturing equipment is between 10 and 20 years old and 15 per cent more than 20 years old. Only 10 per cent was installed in the last seven years.

This finding casts doubt on the reliability of capacity utilisation ratios, since it is clear that actual capacity is well below rated capacity. The theory that output can be doubled simply by using existing capacity does not stand up, not just because of this but also because the skills and infrastructure are not available.

Output has been growing at 6 per cent a year

Employment in manufacturing has declined since SAP, partly because some businesses have gone to the wall, including those closed down as part of the privatisation programme, and partly because intensified competition in a stagnant or shrinking market has forced firms to rationalise operations. The ban on wheat imports is estimated to have cost 60,000 jobs in the milling and baking industries. Another significant finding is that the two categories where employment has fallen most sharply are high-skilled expatriates (because they are expensive to employ) and unskilled workers.

Much of this, though not the low levels of investment, is precisely what SAP was intended to achieve and the policy makers can be satisfied that the programme is largely on track. The bad news is that even with substantial restructuring, much of industry remains uncompetitive. One recent study found that just two sub-sectors — rubber products, dominated by tyre manufacture, and chemicals and pharmaceuticals — are efficient in the long-run sense of being able to replace capital equipment under competitive market conditions.

The good news is that there are some highly efficient firms within inefficient industries. For example, Nigeria has a significant comparative advantage in textiles and clothing. In food and beverages, brewing and cocoa producers are efficient but flour milling is very inefficient, partly because capacity utilisation is very low. Managed well, glass packaging is efficient and profitable.

Efficiency in Nigeria is partly a function of size — the larger firms with multinational links are significantly more efficient, while government-owned enterprises are inefficient regardless of sector. Thus the survey found the pulp and paper and cement industries very inefficient, but this is explained by the predominance of public sector activities in these two industries.

Explanations of inefficiency abound. Some industries — vehicle assembly, electronics and dry-cell batteries — should never have been established. Infrastructure costs are extremely high — 92 per cent of a sample of 179 firms have their own electricity generators. Nearly half the firms have their own boreholes, two-thirds have their own truck and van fleets and 37 per cent their own telecommunications equipment. Manufacturing industry is at a competitive disadvantage because of the operating and capital costs of providing this infrastructure.

Import bans and high tariffs are also blamed for fostering inefficient and inappropriate industries. Last year it was estimated that up to one-third of Nigerian industry was protected by outright import bans, ranging from those on wheat and flour to beer, textiles, clothing and furniture.

While the number of banned items is being reduced, high tariffs are invariably used instead. The average level of nominal tariff protection is 33 per cent, ranging from 50 per cent for consumer goods to 20 per cent for capital equipment. Most changes in the last two years have increased protection, though a welcome development has been the reduction in duty on imported inputs, such as the halving of the tariff on inputs used in tyre manufacture.

In a country where smuggling is endemic, the most effective type of protection — not welcomed by import-reliant industries — is naira devaluation. The real effective exchange rate for the naira declined by 85 per cent between 1984-89. It appreciated slightly last year when the exchange rate stabilised, but will slip again this year.

In dollar terms, labour is cheap with the average hourly wage rate in textiles of only $0.16 in 1989, compared with $0.58 in India and nearly $8.00 in Germany. With productivity per worker being only three times as great in Germany, Nigeria clearly has a large labour cost advantage.

However, there is more to competitive efficiency than labour costs. The high costs of infrastructure and of feeble competition do much damage.

If industry could slash administrative and marketing overheads, while government took steps to improve infrastructure and boost competition, efficiency ratings would be much higher.

But the government is caught in something of a bind; policies to improve efficiency — such as deregulation, privatisation and exchange rate depreciation — are in danger of being partially undermined by "pro-industry" policies such as increased tariffs (as with steel in the 1991 budget) and the interest-rate ceiling.

Trade-offs between business efficiency and political expediency are all very well, but in the long run manufacturing will benefit from greater policy consistency.

Cotton lint ready to be sacked: security of supply has increased

TEXTILES

Tight margins, tough market

TEXTILES is one of Nigeria's largest industries, producing an estimated 500 million metres of cloth each year. It is also highly competitive, with more than a dozen companies battling for a market which demands increasingly tight operating margins.

The government's programme of economic structural adjustment has, on balance, had more positive than negative effects. Demand has contracted in line with reduced purchasing power but, as a senior manager of one leading mill explains, "along with sugar and salt, cloth is still regarded as a basic commodity in Nigeria".

Structural adjustment has placed greater emphasis on agriculture, and textile firms report increased security of supply for their cotton requirements. The abolition of the import licence system has also been widely welcomed by an industry whose import requirements include chemical dyestuffs and spare parts for machinery.

Despite the move towards a market-orientated economy, the industry still enjoys considerable protection, with a blanket ban on textile imports. Company managers deny that the ban dulls the industry's competitive edge. They point to continuing competition between domestic producers and the fact that the theoretical ban has to be offset against Nigeria's notoriously porous borders. If the ban is largely effective, they say, it is because the domestic factories are competitive against smuggled imports in terms of price and quality.

The industry still enjoys a blanket ban on imports

Although textiles appear to have survived the early years of structural adjustment, many individual factories are far from healthy. Skilled management is patchy and a number of companies remain burdened by state ownership. For example, Kaduna Textiles is 77 per cent owned by 11 northern state governments which have failed to supply sufficient investment capital.

Industry sources say the factory is working at a fraction of capacity and that the combined capacity utilisation of the sector as a whole is 60 per cent. The latter is the highest, however, of all manufacturing sectors in Nigeria and would be higher still were it not for the effects of seasonal demand.

The finances of some companies have been affected by decisions in the mid-1980s to build new plant. At least three new spinning mills were built, an investment described by one senior manager as "a total disaster". Loans which were raised when the naira was two to the dollar are now being repaid at a rate of nearly 10 naira to the dollar. Senior industry figures concur that the best the present economic climate permits is the staggered modernisation of existing plant and that there is little potential for new entrants to the industry.

The depreciation of the naira has, however, opened up export opportunities. The largest textile company, United Nigerian Textiles, exports up to two million metres of grey cloth and 400,000m of printed textiles each month.

But individual companies differ on the potential of the export market. While some extol the new opportunities to earn foreign exchange, the managing director of one leading company explains that the only reason his factory exported was due to the depressed state of the domestic market. He says that "the company actually loses on its exports, particularly of grey cloth, but we would lose more if we failed to utilise our installed capacity".

The problem is partly the high cost of recent investment but also that other countries, notably Pakistan, subsidise cotton production so as to dominate the grey-cloth market.

What the government can do to improve the state of the industry is uncertain. The forced reduction of banking interest rates to 21 per cent has been applauded, although the short-term affect has been a steady fall in the value of the naira. This has improved export potential for finished products but has made life even more difficult for those companies having to repay recent capital-intensive investments.

In the medium term, the industry is likely to become more competitive. Inefficient companies, unless sponsored by political patronage, will close or be reduced to piecemeal outfits. Diversification is unlikely to offer significant protection. Industry analysts note that textiles is already the country's most secure manufacturing sector and that diversification will only dilute management skills.

The companies which do best are likely to be those which, having built up a competitive edge, are able to exploit Nigeria's porous borders for regional exports of finished products. In the short term, this market has been hit by the loss of the once attractive freeport of Monrovia in Liberia. The regional market, particularly francophone countries burdened by the over-valued CFA currency, provides an attractive economic hinterland and will allow the better managed companies to compensate for the decline in domestic purchasing power.

Depreciation has opened up export opportunities

William Keeling

Agriculture: the quest for self-sufficiency

Food for thought

SINCE the introduction of the structural adjustment programme five years ago, Nigerian agriculture has prospered. Devaluation, the abolition of state-run commodity boards, selected import bans on food staples and price liberalisation have stimulated a growth rate of 2-3 per cent per year in a sector which declined during the oil boom years.

But if Nigeria is to promote agricultural exports and achieve food self-sufficiency for its people, who will number more than 200m by the year 2005, critical adjustments need to be faced now.

In the short and medium-term, the government must consider urgently the inefficient and costly subsidised fertiliser programme; the import bans on maize, wheat, barley and rice; the development of better research and extension services; the lack of incentives for commercial farming; and the absence of sufficient cheap agricultural credit.

In the long-term, however, Nigeria's ability to feed itself will rest on how effectively it develops a strategy to harness its considerable water resources for irrigated farming and whether, through soil and water conservation and forestry development, it can prevent continued environmental degradation. Last season's drought in the north, which seriously affected the maize and sorghum markets with knock-on effects in processing industries, was a painful reminder of agriculture's vulnerability to the unstable climate.

Much will depend on the depth of government policy making. Recent signals are not encouraging. Last year's proposed export ban of raw cocoa beans, which was rescinded last October, created instability among farmers and exporters in Nigeria's most important export commodity apart from oil.

Similarly, last month's budget allows for the creation of 30,000-50,000 state farm complexes in each of the 21 states to mop up unemployment. Experts believe this to be a disastrous move which is bound to fail and will divert scarce resources and manpower from productive enterprises.

Such measures threaten to undermine the progress achieved since 1986. Last year, according to Mr Chu Okongwu, minister of budget and planning, agriculture's contribution to GDP rose by 4.2 per cent, from N26.1bn in 1989 to N27.2bn. While western agriculturalists believe these figures are inflated, they accept that there has been sustained growth of between 2-3 per cent over the last four years.

Much of this growth is due to policy reforms adopted since 1986, which have boosted local production, discouraged cheap imports and encouraged exports.

Consistent with these policy changes has been increased funding to agriculture, both from the government and international donors. Twenty-two per cent of the 1991 budget is allocated to agriculture and rural development – N1.1bn for fertiliser procurement, N500m for the ministries of agriculture and water resources and N1.05bn for the Directorate of Foods, Roads and Rural Infrastructure (DFRRI), the government's main instrument for agricultural development.

The import bans remain controversial

The World Bank, the European Community and other donors are estimated to be providing $1.6bn this year in a range of projects, including continued funding of the state-run Agricultural Development Programmes (ADPs) in every state and a large investment in the oil palm industry.

However, an agricultural growth rate of 4.85 per cent – the target announced by President Ibrahim Babangida in this year's budget speech – will be difficult without a fundamental rethink of key issues, including:

- Fertiliser policy. The government subsidises fertiliser by about 80 per cent, and in theory farmers should be able to buy a bag of fertiliser for N30 from the local state depots.

In practise, much ends up in the hands of middlemen who either smuggle it across the borders or stockpile it and sell it on the black market at crucial times at prices of about N50-N60 a bag. Most farmers, particularly smallholders, end up short of sufficient fertiliser at critical times.

Agricultural economists and the World Bank urge the privatisation of the procurement and distribution of fertiliser. They say this will be more efficient and save some of the N1.1bn allocated to subsidies. President Babangida has accepted that fertiliser distribution is ineffective and should be privatised. But many doubt his commitment in the face of opposition from the powerful vested interests who make fortunes from fertiliser dealing.

- Import bans. Bans on the import of wheat, maize, rice and barley remain controversial. Production has boomed but widely fluctuating prices have discouraged farmers and had debilitating effects on the brewing, milling, animal feed and poultry industries. The government and western donors argue about the economics of the measures, but all agree that widespread smuggling has undermined them.

Farmers, donors and businessmen in the grain-processing industries have asked the government to consider a range of options to achieve price stability, including an import tariff regime, a support price mechanism or more adequate storage systems.

- Commercial farming. Interest rates of up to 32 per cent, unstable prices, low yields and poor infrastructure have forced many large scale capital intensive farms to close. Those that have survived have done so through integration and value-added processing. Yet if Nigeria is to feed itself, the potential high grain yields and technology transfer of commercial farming will be critical. An incentive package to encourage commercial farming, even on a small scale, is urgently needed.

- Water resources. Nigeria has plentiful supplies of ground water and an estimated total irrigation potential of 2m hectares. But irrigated farming is minimal and experimental. The large, capital-intensive irrigation projects established by the state-run River Basin Authorities (RBAs) proved over-ambitious and costly, and all 14 RBAs are being wound down.

A new Ministry of Water Resources was created in 1989 but as yet little work has gone into devising a master plan to harness the resource base and develop a strategy to insulate agriculture from erratic climate and rainfall patterns. Such a strategy, particularly in low-cost, private, small-scale irrigation, is crucial to any attempt to achieve self-sufficiency.

In addition, government will have to pursue the strengthening of extension services, the promotion of farm credit, the development of appropriate farmer-based and farmer-driven research and technical skills, maintenance and rehabilitation of rural roads, and a sustainable approach to combatting deforestation and desertification.

Many of the reforms already carried out have required little policy depth or implementation capacity. The challenge is to develop an enabling environment which will release the latent energies of commercial and peasant private farmers. Failure to address these reforms will result in stagnant exports and food crops below the needs of the expanding population.

Julian Ozanne

PROFILE: Vegfru

Fruitful endeavours

AT DADIN Kowa, on the border between Borno and Bauchi states, an oasis of green irrigated fields thick with ripening tomatoes breaks the monotony of sun-baked earth and yellowed grasses.

Vegfru, an integrated agricultural and food processing company of the Inlaks group, is just entering the picking season, which lasts from January to April. Women are busy picking tomatoes, collecting them in enamel tins which are carried on their heads and poured into large wicker baskets.

Vegfru has produced tomato paste, juice and sauce and mango juice profitably since the company was established in 1970. But it has not been easy.

Nigerian agro-industry is vastly underdeveloped. The oil boom of the 1970s and an overvalued naira made most investments in agro-processing unviable in the face of cheap imports and the profitability of trading and service industries. Vegfru survived by importing bulk tomato paste from Italy and canning it at Dadin Kowa. Growing or buying domestically was uneconomic.

Reforms since the 1986 structural adjustment programme have had mixed results. Many food processing industries have suffered from import bans and, lacking sufficient local production, are operating well below capacity.

But devaluation and a ban on imports of tomato paste have led Vegfru to develop a modest investment programme.

The principal investment has been in expanding the activities of the company's farms, which have 470 hectares of planted tomatoes. Much effort has been invested in experiments with gravitational and sprinkler irrigation to boost yields and use various imported hybrid seeds capable of resisting the soaring temperatures of the dry season.

Rich harvest: tomato picking at Vegfru, Borno state

The farm produces about 11,000 tonnes of tomatoes per year, about 60 per cent of the factory's needs. The rest is purchased from local outgrowers, who benefit from limited extension services from Vegfru, including seed, chemicals and technical assistance.

Vegfru's executive director, Mr Dhananjay Keskar, says the farm has proved a sensitive and difficult operation. The company would rather purchase all raw material from outgrowers. "It is very costly to grow all our tomatoes but quality is a problem with outgrowers and small farmers are very unreliable. We must have our own assured supply. That is essential."

Serious problems remain, including widespread theft, the need for continual supervision of on-farm activities, the necessity of generating the factory's own power, competition against smuggled Italian imports, the high cost of imported tin plate for canning and continued depressed incomes, which have hit the luxury foods market.

The company admits that any change to the import ban, which would result in large scale dumping of tomato paste produced in the European Community, would seriously affect operations. In spite of these constraints, Vegfru declared an after tax profit of N4m in 1989 and according to Mr Michael Hamilton, managing director of the Inlaks group, returns on capital have averaged around 15-20 per cent a year.

But continued constraints on agro-processing have made the company cautious about further investment, although export of fresh produce, such as mangetout and okra, by air freight is being developed.

"In the last four years we have had consistency of policy and that is the most important factor. But we are going to be very cautious about expanding", says Mr Hamilton.

Significant new investment in processing, which will be crucial to provide the forward linkages for agricultural growth, will be difficult, however.

Julian Ozanne

Commercial growers face a harsh climate

Farmers in difficulty

ON A huge 38 sq km farm in the parched climate of Gongola State, north-eastern Nigeria, Mr David Macadam and his wife have established a beautifully manicured garden which would not look out of place in Surrey during an English summer.

Nigeria's dry season is harsh. Water is scarce, temperatures can soar to 43 deg, and vegetation turns into an ash-coloured tinder box vulnerable to raging bush fires.

But in the well-watered lawns and fruit trees of the Macadams' garden, where herons and magpies take shaded refuge, it is almost possible to forget the arid land and burning sun outside.

Sadly, the garden and its adjoining nine-hole golf course are among the few successes on the 10,500 hectare farm managed by Mr Macadam for the Nigerian associate of CFAO, a large French trading company.

With a critical shortage of working capital, the company has decided to cut cultivation this year from 2,500 to 1,500 hectares on the farm, which produces maize, cotton, sorghum and rice. Huge losses have been recorded for each of the five years that the farm has been in business.

"We have been technically bust for 12 months. The banks own the farm but they won't close", says Mr Macadam.

Large commercial farms are rare in Nigeria and are becoming rarer every day in a tough economic environment. High interest rates, unstable prices, poor varieties and yields, huge capital costs, lack of local expertise, expensive expatriate management and erratic weather have forced many out of business. Some survive by scaling down their hectarage. Few have prospered.

But large commercial farms remain a vital catalyst to agriculture, providing practical on-farm experience for local technicians. They will also be important in stimulating the creation of a class of medium scale commercial farmers, on 50 to 500 hectare plots, whose rôle in food production will be critical to food self-sufficiency.

The problems with Nigeria's large scale commercial farms go back to their creation in the mid-1980s. Like the CFAO farm, most were established under government pressure as subsidiaries of commercial and trading houses.

In 1985 the government of former President Muhammad Buhari put pressure on Nigerian companies by letting them know that import licences would in future depend on whether businesses went into farming to boost food self-sufficiency, source raw materials locally and save scarce foreign exchange.

In an attempt to meet that stringent policy, many ill-conceived farms were established half-heartedly. But even those set up as genuine enterprises have found it difficult to survive.

According to Mr Macadam, large farms face serious problems because they depend on imported machinery and have been hit badly by devaluation, inflation and interest rates of up to 32 per cent. High financing costs and uncertain yields and prices have forced many companies to go bust.

"No farm is making money if it has borrowed money," says one agricultural specialist. "Most farms can get a return of 8-10 per cent before financing costs so it is impossible to operate profitably." Several farmers say that commercial farming will only be viable if interest rates fall and a government support price system, backed by international donors, is introduced.

"If we get a support price it will be easy to do a feasibility study and a business plan over five years," says one. "Today if you do a business plan you might as well just take the house numbers from the street next door."

The huge capital costs of land development in areas devoid of rural infrastructure, such as roads, water supply and electricity, has been another problem. Current prices for land clearance are about N5,000 per hectare. Farm roads can cost up to N25,000 per km. Boreholes are also an expensive investment.

"Farms have tried to pay for land developments out of revenue. It can't be done", says Mr Tim Havard, an agricultural consultant. "The government needs to think about setting up a scheme to reimburse up to 75 per cent of the capital costs of land development. This one-off subsidy might make commercial farming more viable."

Yields and varieties have also been a constraint. Current yields average about 1.8-2.0 tonnes a hectare and could increase to 3-4 tonnes on a commercial farm. But farmers say without government and international donor investment in a large programme which will bring together commercial farmers, universities and the International Institute for Tropical Agriculture at Ibadan, low yields will continue to plague the sector.

In spite of these problems, some large farms, such as United Africa Company's Kidanan farm in Zaria and Afcott say they are making small returns.

The main reason for this, they claim, lies in the value-added of processing which both companies have exploited.

The CFAO and other farms, on the other hand, have tried to sell produce like maize and rice directly at farm-gate prices competing with cost effective peasant farmers. With radical price instability this has proved unprofitable. It is a mistake which Mr Macadam recognises and he plans next year to use his maize for cattle feed and to develop a small ginnery to acquire value-added profits.

But experts say that commercial farming, probably on a smaller scale than that which has been tried, will have to work if Nigeria is to move away from import dependence and meet the demands of its constrained processing industries and burgeoning population. Small scale peasant production will continue to be the primary source of agricultural production, but commercial farming will be vital in boosting production and passing on technological practices and training.

Before that happens, better incentives will be needed, including government provided rural infrastructure, price stability, cheaper agricultural credit and funding for the capital costs of land development.

Julian Ozanne

Opinions differ over the value of import bans, says **Julian Ozanne**

Drought rekindles debate

HIGH up in Nigeria's agriculturally rich middle belt, more than 1,200m above sea level, huge fields of ripening wheat bristle in a cool breeze blowing off the Jos Plateau.

Here, in the abandoned tin-mining area of Tenti in Plateau State, 116 hectares of wheat is yellowing on a farm established by the Union Trading Company.

That wheat growing is possible in this arid region is due to massive investment by UTC in sprinkler irrigation and the restrictive import policies of the government.

Irrigated wheat is one example of the progress made in food production since 1986. Bans on the import of maize, wheat, rice and barley, combined with devaluation, internal price liberalisation and government investment in rural infrastructure, have boosted domestic production of food staples in the last four years. But low and erratic rainfall in the north last year, particularly in Kano, Katsina and Sokoto states, has once again hit grain and rice harvests, causing an estimated production loss of 1.5m-2m tonnes.

The full impact of the drought has not yet been properly assesed. But prices for maize, millet and sorghum are rising dramatically and fears are growing in government circles about domestic food supplies for the large urban population.

The drought has refocused agricultural thinking on two issues: the absolute import bans and the absence of a considered policy for the development of small scale, low cost, private irrigation.

It is generally agreed that import bans have contributed significantly to increasing food production. The grain bans removed about 2.5m tonnes from the domestic food supply. Production of cereals and traditional root crops such as yams and cassava, which were once unable to compete with cheap food imports, has risen dramatically.

Rising prices have created incentives for peasant and commercial farmers and rural trade has boomed in the new economic agricultural environment.

Figures for production of staples are hard to come by, but there have been massive increases in production of yams, plantain, rice, cassava and, to a lesser extent, maize and sorghum. Cassava production, with new disease resistant and higher yielding varieties, has done particularly well.

AGRICULTURAL EXPORTS 1988 ($m)

Crop	Value
Cocoa beans	328.0
Cocoa butter	16.5
Natural rubber	9.0
Shrimp and prawns	7.1
Cashew nuts	6.9
Goat and kid skins	5.3

Source: US Dept of Agriculture, Federal Agricultural Co-ordinating Unit, CBN

"Government policies have succeeded in priming the pump for food production and the results have been impressive", says Mr Tim Havard, an agricultural consultant. "The import bans had an important catalytic effect".

But the ban on imported wheat is more controversial. The government claims wheat production has increased from 113,000 tonnes in 1985 to 257,000 tonnes in 1989. Western donors believe those figures are highly exaggerated and that actual production in the last four years has been between 50,000 and 90,000 tonnes annually.

Both sides have an interest in producing their own figures. The government is keen to prove that the huge sums of money poured into subsidised wheat production have paid off and is anxious to maintain a policy which has political motives in rewarding farmers in the middle belt, where most wheat is grown.

Western donors, particularly the US (which was formerly the largest supplier of wheat), have lobbied hard against the wheat ban on the grounds that it is uneconomic and cannot compete with imported wheat.

With US wheat currently available for $85-$100 per tonne FOB US and local wheat selling for N5,000 per tonne, that is certainly true.

But the Nigerian government argues that imported wheat is highly subsidised and that Nigerian wheat is much more competitive with the real cost of production of imported wheat. The government also points to the dangers of a developing country relying on imported luxury foods.

ESTIMATED PRODUCTION (000 tonnes)

	1988	1989	1990*
Millet	2800	2700	2160
Sorghum	3500	3500	2700
Corn	2200	1900	1520
Wheat	50	60	90
Milled rice	500	540	540
Groundnut	350	350	n/a
Sugar	53	50	49
Oil seeds	727	754	830
Cocoa	140	155	n/a
Cotton	42	35	45
Rubber	70	n/a	n/a
Tobacco	12	12	n/a
Cassava	14,800	17,000	n/a
Yams	18,200	20,000	n/a
Vegetables	1,241	1,354	n/a
Plantain	1,071	1,549	n/a
Beans	688	690	n/a

1990 figures are provisional. Source: US Department of Agriculture, Federal Agricultural Co-ordinating Unit, Central Bank Of Nigeria

However, the import bans, particularly that on wheat, have been undermined by widespread smuggling. An estimated 400,000 tonnes of wheat flour, equivalent to about 1.12m tonnes of grain, is smuggled in each year. Many doubt whether domestic production of wheat, particularly hard wheats, is viable, even at artificially high prices

Drought combined with poor prices last year has hit maize production with prices last month, two months after the main harvest, already rocketing to N2,300 per tonne.

Last year many farmers switched out of maize after complaining that prices of N900-N1,200 per tonne were unprofitable. This year there is a critical shortage of maize, even at current prices.

The price instability of grains has discouraged farmers and has had a serious effect on the brewing, milling, animal feed and poultry industries, which are operating well below capacity.

Businessmen in the allied grain processing industries have urged the government to scrap the import ban in favour of a sliding import tariff regime, with the tariff being increased when there is sufficient domestic production and decreased when there is a shortage.

However, politically connected groups involved in speculation, hoarding and smuggling block reform. In addition, administering such a system with widespread corruption in the customs department would be almost impossible.

Another option being pursued by the government is the development of local storage capacity, enabling grains to be brought up during times of over-supply and released on to the market during bad harvests.

This is criticised by donors, who point to the huge capital and financing costs, mismanagement and corruption of public grain storage. A better option, say farmers, is development credit for on-farm storage by the private and co-operative sectors.

Other contraints on production will also have be addressed by the government. They include the low level of small scale irrigation, environmental degradation, poor incentives to commercial farming, inadequate fertiliser availability and application and improved cultivation practices by peasant farmers. Appropriate technology dissemination to smallholders and development of new high yielding varieties is crucial.

Agricultural experts say Nigeria has a good chance of achieving self-sufficiency in food production, albeit at low per capita consumption levels, if further reforms are implemented.

Julian Ozanne reports on uncertainty in the cocoa sector

Dealers play for high stakes

IN THE frenzied days of the late 1980s, dealing in cocoa in Nigeria was like playing poker for high stakes. Prices soared above world market levels as competitive traders and speculators aggressively outbid each other in a desperate effort to secure cocoa beans to fulfil export contracts and win foreign exchange.

"People were taking sackfuls of cash up country to buying agents. You could find yourself going to collect a truck loaded with cocoa thinking you had secured a deal when someone would come up at the last minute and up the price", says Dr Haim Ayalon, managing director of Afro Continental, one of Nigeria's biggest cocoa exporters.

Unable to fulfil their contracts, many small traders went out of business. However, the conditions that created that crazed season, when prices closed at N26,000 per tonne, have passed. Tumbling world prices and the government's liquidity squeeze have restored some stability to the cocoa trade.

But the sector remains plagued by uncertainty as a result of low world market prices due to massive global over-supply, the government's attempts last year to impose a ban on the export of raw cocoa beans (a measure which was lifted last October), and by inadequate responses from the private sector to improving quality, extension and promoting replanting of an ageing tree population.

Cocoa, Nigeria's largest non-oil export earner, brought in $236m in 1988, and has benefited from the government's structural adjustment programme. Abolition of the monopoly of the state cocoa marketing board in 1986, price and trade liberalisation and devaluation have boosted exports. Production has revived from 88,000 tonnes in 1985-86 to an estimated 165,000 tonnes last season.

Liberalisation has, however, had its costs. The scramble for cocoa between 1987-89, when Nigerian exporters promised delivery of 300,000 tonnes from production of about 160,000 tonnes, has led to considerable price instability. Relaxation of government control over grading and exports allowed traders to ship sub-standard cocoa to meet their contractual obligations.

As a result Nigerian cocoa, which traditionally carried a premium on the terminal market, is now being discounted because of fears about quality.

Price stability seems to have been achieved

Furthermore, the abolition of the cocoa marketing board has exposed a vacuum in regard to the delivery of extension services to Nigeria's 400,000 farmers, particularly for the distribution of key inputs like improved plantings.

Price stability appears to have been achieved this season with an average price per tonne of around N10,000.

However, the possibility that the government may introduce some kind of a ban on the export of raw beans continues to hang over the sector.

Opinion is mixed among cocoa traders about whether, or how soon, the government may re-introduce some form of a ban. But there is widespread agreement that a ban would be disastrous for farmers and export earnings and would promote a return to smuggling and falling production.

Nigeria has an annual installed processing capacity of 90,000 tonnes, but last year the three factories only produced 17,000 tonnes of processed products. Extensive rehabilitation of machinery and installation of new plant, at an estimated cost of at least N1bn, will be needed if the industry is to be able to process total annual production.

But it is questionable whether Nigeria could find a market for processed products which require a high degree of quality control. The Cocoa Association of Nigeria says both cocoa liquor and cocoa butter are highly perishable and would quickly deteriorate in the Nigerian heat. Both products would need cool storage, early sales, efficient production operations and management, and high sanitation standards to avoid contamination.

When the government introduced the export ban in January 1990 it did not say what would happen in the interim period between the ban coming into effect and the date when new processing capacity would come on stream. But it is widely believed that those people who had laid down plans to expand local processing would have been able to export raw beans.

Politics would also play a part in another option which is said to be under consideration: a partial, or phased, ban. This would mean a return to licensing and the kind of corruption which used to characterise the trade before liberalisation.

Some exporters, such as Afro-Continental, have pressed ahead with plans to expand local processing, but in the current uncertainty it remains questionable whether these will materialise. For many, processing represents a reluctant but precautionary step in case the government goes ahead with a ban.

"It is hard to predict what the government will do because everything is done at the last minute without much consultation", says one trader.

For investors in Nigerian cocoa the continuing instability of government policy remains an inhibiting factor.

"Nobody will put down that kind of money in Nigeria today for a return in year five or year six because he might no longer be able to operate", says Dr Christopher Kolade, managing director of Cadbury's Nigerian associate. "Government must create a real free and stable environment to promote long-term investment instead of people just going into cocoa for a quick killing. The less government involves itself the better."

Separating the beans from the pods, Ogun State

William Keeling reports on a $1bn project to develop condensate

Banks clear way for Oso

Instead of flaring gas from crude oil production, the Oso project aims to develop condensate as an energy resource

EFFORTS to diversify the export base away from the production of crude oil will take an important step forward when the $1bn Oso condensate project comes on stream.

Potentially the most viable of all Nigeria's mega-projects, it involves the development of an offshore condensate field which, if properly managed, is expected to generate $12bn in revenue over its 21-year operating life.

The Oso field, 35 miles offshore from Qua Ibo in Akwa Ibom state, has 450m barrels of proven condensate reserves.

Condensate is part of a hydrocarbon mixture which in the high temperature and pressure of the subterranean field exists as a gas. Once brought to the surface and cooled, the mixture is separated into natural gas and condensate liquid. The latter has qualities similar to crude oil and can be refined into petroleum fuel, kerosine and naptha for the chemicals market.

Weighing against condensate have been the high production costs involved and the fact that it sells at a discount to oil in the world market. Its economic potential was unlocked in 1988 when Opec countries decided to place condensate outside the quota system.

This allows production facilities to run at full capacity without quota restrictions and has dramatically improved the investment potential of condensate.

The Oso field, which was discovered in 1967, is owned by a joint-venture of Mobil Producing Nigeria (40 per cent) and the state-owned NNPC (60 per cent).

The production process requires centrifugal gas compressors to inject 500m standard cubic feet of gas a day into the field in order to maintain temperature and pressure. Just over half the gas required will be produced once the lift hydrocarbon mixture has been cooled and separated into condensate and gas.

The remainder is to be sourced from the Edop, Etim, Inim and Utue fields where the gas associated with crude oil production is presently being flared. As the condensate reserves deplete, so the Oso field will be transformed into a gas reservoir for future exploitation.

Other facilities required include three platforms for gas and condensate separation, 15 production wells, six gas injection wells and 120 miles of underwater condensate and gas pipelines.

Construction should be completed in 1993 when production of 100,000 barrels per day (bpd) will begin. Production will decline in 1996 to 70,000 bpd and will drop further to 20,000 bpd from 1997 onwards.

About half the project revenue should therefore be generated in the first six years of production and analysts believe the pay-back period for the project to be under two years.

Although a viable project, securing finance has not been easy and its future is still not wholly certain. Nigeria's poor record for loan repayment has resulted in investors approaching the project with some trepidation.

The World Bank and the International Finance Corporation (IFC) – the World Bank's arm for private sector development – undertook to sponsor a co-financing meeting in September 1988, at which the design for a financial package was agreed.

It took a further 20 months, however, before the financing deal was actually signed. The delay was due to the government's reluctance to allow NNPC to give security against project loans, a necessary condition for the project to receive finance from export credit agencies.

Once the government had acceded to the finance terms, offshore escrow accounts, approved by the International Monetary Fund, were opened into which all of NNPC's Oso revenue will be paid. From these accounts, payments of debt service will be made and a debt service reserve will be funded.

In the event of NNPC falling into default, the creditors are entitled to secure and take possession of NNPC property. Institutions to have made financial commitments include the World Bank ($150m), the IFC ($60m), the US Exim bank ($270m), Japan's Exim Bank ($70m) and Coface, the French export credit agency, with $60m. The commercial banks are expected to finance $90m.

Banking sources report that should commercial bank finance fall below $90m, the IFC has agreed to make up the difference. The two equity partners in the project, Mobil Producing Nigeria and NNPC, are to contribute $155m and $190m respectively.

An unexpected hitch in the financing arrangements arose earlier this year. Nigeria was at a critical stage in negotiations to reschedule its $5.5bn debt to the London Club of commercial banks.

Few - if any - of the banks are expected to contribute to the project finance. But at the time the government was obliged to seek the Club's permission before it raised new security for any project.

Government security is an essential condition for the World Bank loan and the participation of the World Bank is a necessary condition for the provision of finance by the export credit agencies.

On January 3, the London Club advised the finance consortium of its intention not to agree to the government raising security for project loans until the rescheduling exercise was complete.

But at a meeting in London earlier this month, the two sides reached agreement. The banks' objection is understood to have fallen away.

The hitch, not anticipated by the joint venture, could have had serious ramifications.

A construction consortium of McDermott, Bouygues and JGC Corporation have already been awarded a $450m contract and industry analysts say that the equity partners will suffer heavy penalties if payments are delayed.

Officials close to the project insist that if the London Club had refused to drop their objection, NNPC and Mobil would themselves provide the $700m at risk.

Fortunately it now appears that financing arrangements can go ahead for this important project.

The scale is impressive — but is it a wise use of resources?

Critics urge government to cancel $1.5bn smelter plan

THE FIRST steps have been taken in the construction of what, if completed, will be the largest aluminium smelter in sub-Saharan Africa.

In November last year, the foundation stone was laid by President Ibrahim Babangida for a $1.5bn aluminium smelter in Akwa Ibom state. The project has been part of the national development plan since the late 1970s, but the present government is the first to have given it priority status.

The proposed smelter is not without its critics, however, who question whether its construction is a wise use of Nigeria's financial and natural resources.

The scale of the project is impressive. It involves the construction of a 180,000 tonne per year smelter and a 540MW gas-fired power plant. When fully operational in 1994, the plant will employ up to 1,500 Nigerians and 200 expatriates.

The plant is being constructed on a turnkey basis by Ferrostaal AG of Germany and the first of its 432 pots will begin pouring metal in 1992. The plant will be owned by the recently formed Aluminium Smelter Company of Nigeria (Aluscon), the equity of which is divided between Ferrostaal (30 per cent) and the Nigerian government (70 per cent).

Reynolds International Metals of the US has signed a 10-year agreement to buy 140,000 tonnes per year on a formula linked to prices on the London Metal Exchange. Reynolds also has a 10-year contract to co-manage the plant together with Eisenbau Essen of Germany, a Ferrostaal subsidiary.

Supporters of the project argue that it will provide a new avenue into heavy industry, offer employment opportunities and develop new skills for the labour force. The plant will provide domestically produced aluminium for Nigeria's aluminium rolling mills which have a capacity of more than 30,000 tonnes per annum.

The project has been part of the national development plan since the late 1970s, but the present government is the first to have given it priority status

Most importantly, aluminium production depends on a large supply of electricity and the power station is to be fuelled by gas. As one industrialist who backs the project explains, "Nigeria will essentially be exporting gas as aluminium. The smelter provides an effective means of utilising the nation's immense gas reserves".

The government is under pressure, however, to cancel the project. Western diplomats report that its critics include the World Bank and the deficiencies highlighted include the low-level of equity in relation to total finance and the predominance of the government as the main shareholder. Aluscon has an equity of $300m with Ferrostaal contributing just $90m. As one banker explained, "the size of Ferrostaal's equity contribution makes it little more than a technical partner".

Western diplomats say that one condition set by the World Bank if it is to make a financial contribution is for an increase in equity finance to at least 30 per cent of total project cost.

Until this condition is satisfied, the project will have to proceed simply on equity finance. The management have conceded that they have been unable to attract any loans, either from the World Bank, commercial banks or export credit agencies. Local aluminium users have not been approached for even a small equity stake, neither have they been involved in the planning or siting of the plant.

A more fundamental question is the price that Aluscon will have to pay for the gas which will fire its power-plant, as the cost of electricity will greatly determine the unit cost of production. The current price of gas set by government to industrial users of less than half a dollar per thousand standard cubic feet is extremely low, and is about one-tenth of the cost of oil per thermal unit.

The foreign oil companies which supply the gas for the state-owned Nigeria Gas Company to distribute are asking for a substantial increase. The chief executive of one oil company says that the domestic price of gas would need to be trebled for new investment in gas facilities to be considered.

Apparent poor planning and undue political involvement in the project has led some bankers and diplomats to draw a parallel between the proposed smelter and the Ajaokuta steel plant, widely regarded as a white elephant.

The smelter does, however, score high on some important points. Unlike Ajaokuta, the technology envisaged for the plant is likely to be some of the most advanced available. Also unlike the steel plant, Aluscon is sited close to the source of its energy requirements, just inland from the gas fields of the Niger Delta.

The state of Akwa-Ibom in the south-eastern corner of Nigeria is, however, a great distance from potential domestic users of aluminium. Another drawback is the site's proximity to the ecologically sensitive high forests of Cross River state and neighbouring Cameroon, although project designers insist that all waste gases will be cleaned before being released into the atmosphere.

Apart from the gas, other inputs such as petroleum coke, pitch and alumina will have to be imported, a sign of how marginal the integration of the plant will be with the rest of the economy.

Nigeria has bauxite reserves from which alumina might be produced, but there are no plans to exploit them. The attraction of Aluscon depends almost entirely on the availability of cheap labour and, more importantly, cheap gas. How cheap the power will be remains a matter of speculation until such time as gas supply contracts with the oil companies are secured.

The management concedes that it has been unable to attract loans

With the gas price unresolved, Aluscon is not likely to find many willing investors. Even if the economics of the plant were favourable, investors would still be wary of backing a project which is 70 per cent state owned.

The future of the project depends on the willingness and the ability of the government to provide funds from oil revenues. The danger is that should the price of oil fall, Nigeria will be left with another unfinished mega-project which it can ill-afford to fund.

William Keeling

The industry is marred by deficient planning

Steel: a sad story of unfulfilled hopes

A STEEL industry is at the heart of Nigeria's plans for industrial development, a springboard to achieve fully integrated automobile and construction sectors.

The steel industry has also suffered worst from deficient planning and political interference.

After more than a decade of unfulfilled hopes and several billion dollars, the Delta Steel plant is operating at a fraction of capacity, while the Ajaokuta steel complex has yet to pour its first metal.

Delta Steel is a direct reduction plant with a capacity of 1m tonnes per year for billets and rolled products. Last year the company doubled its production of billets but low sales resulted in a rise in stocks to 80,000 tonnes.

Even with increased production, capacity utilisation averaged just 15 per cent and the plant has never operated at more than 30 per cent.

The Ajaokuta plant has fared even worse. After 12 years of construction and at a cost of more than $4bn, the plant, with a capacity of 1.2m tonnes a year, is far from complete. Western diplomats estimate that an extra $2bn will be needed before the plant can be operational.

The government insists that production will begin within the next two years but constructors on the project put the latter half of the decade as a more realistic target. The problem for the company is that Nigeria lacks reserves for the 1.3m tonnes of coking coal that will be needed annually to run the blast furnaces.

Whilst some Nigerian coal might be used, at least 800,000 tonnes of high-quality coking coal must be imported. The factory is situated 250km inland on the Niger River, which will have to be dredged to make it navigable for barges. Alternatively, the government could construct a 150km railway line to link Ajaokuta with the national network.

After 12 years and more than $4bn, Ajaokuta has yet to pour metal

The 2m tonnes of iron ore required per annum is to be sourced from the nearby Itakpe reserves, but a benefication plant needed to improve the quality of the ore has yet to be built.

On the plus side, the World Bank has agreed to finance a study of the $600m flat products rolling mill which is required to turn steel into end-products for the market.

This represents a change of heart by the World Bank. Western diplomats report that as recently as last year,disagreement over government expenditure on the plant resulted in the loss of a $500m World Bank budgetary and financial policy loan.

Exhibiting equal goodwill are Tiajpromexport, the Soviet constructors of the plant who are owed $1bn – a situation described by one member of a recent Soviet finance delegation as "extremely unsatisfactory", but Tiajpromexport have nevertheless pledged to complete the work.

William Keeling

ENERGY PROJECTS

THERE is an array of mega-projects in the energy sector, some in the process of construction, others at the proposal stage with varying likelihood of being constructed:

● **Liquefied natural gas:** a project to export 4.5m tonnes of liquefied gas to the US and western Europe. The cost of the project is estimated at $3.7bn and is hampered by the inability of the partners to secure agreement from potential buyers. The completion date, previously set for 1995, is almost certain to slip.

● **Oso condensate:** a $1bn project to exploit the hydrocarbon condensate reserves of the Oso field, 35 miles offshore from Akwa Ibom state. The field is owned by Mobil Producing Nigeria (40 per cent) and NNPC (60 per cent). Production of 100,000 bpd is set to begin in 1993.

● **Oilfield development:** all the companies are investing in substantial new development and exploration programmes. The two largest are a $750m investment by the Shell-operated joint venture to develop its Forcados concession. This would involve bringing on line four new fields with associated processing facilities and trunk pipelines. The Mobil-operated joint venture is to spend $600m in developing its Etop field with estimated reserves of over 800m barrels. The field should be producing up to 180,000 bpd by 1994.

● **Refinery pipeline network:** the government has announced plans to link Nigeria's four refineries with a pipeline network and to connect the refineries with regional product depots. At the cost of between $200m-$300m, the project is designed to safeguard national distribution against shortfalls in production at one or more of the refineries.

● **Domestic gas project:** a $500m proposal by Chevron of the US to establish the infrastructure for the domestic utilisation of gas reserves. Company officials say, however, that the project would not be economic given the current price of gas – about $0.50 per thousand standard cubic feet – set by government.

● **Petrochemicals:** at a cost of $800m, the government has undertaken the second phase of its petrochemicals project. A plant is being constructed at Eleme, Rivers state, and will produce a combined total of 740,000 tonnes of ethylene, propylene, polypropylene and butene-1.

● **Aluminium:** the main input of the proposed $1.5bn smelter, situated in Akwa Ibom state, will be electricity. Its 540MW station will be powered by gas, although no agreement has yet been reached with the oil companies for its supply.

FINANCIAL TIMES

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هكذا من الأصل

William Keeling profiles the northern city of Kaduna

Where cultures clash

KADUNA is not a city to visit for its telecommunications. Telephone lines are either down or calls get lost in the electronic jungle of the local exchange. Large businesses use short wave radios to link their offices with the outside world and messengers traverse the city with scribbled notes of arrangements for meetings.

Kaduna is, however, the centre of a different kind of communication; it is the hub for political and, increasingly, religious discourse in the north of Nigeria.

The city has a relatively short history. It was a small town chosen by Sir Frederick Lugard, the then governor of northern Nigeria in 1913 as the capital for the north of Nigeria. It hosted the main military garrison and became a focal point for southern migrants.

On independence, the city became the administrative centre for Sir Ahmadu Bello, sardauna of Sokoto and premier of the Northern Region who was later assassinated. The Northern Region was later split into six states, one of which was named Kaduna.

As well as the loss of regional authority, Kaduna has also suffered economic decline since its zenith in the mid-1960s. The textile industry is still large but many of companies are operating at a fraction of capacity.

The 100,000 bpd oil refinery remains the key distribution point for petroleum products for the north, but the car industry, represented by the Peugeot assembly plant, is operating at just 15 per cent capacity. Diplomatic and business sources say no significant new industry has come to Kaduna for the past ten years.

In spite of this decline, the city retains considerable political influence. Many senior members of the armed forces and former civilian politicians have retired here and the city hosts arguably the most extreme religious protagonists in Nigeria. It is also the base for the army's important 1st Mechanised Infantry Division. When there is a crisis in Nigeria, people always look for the reaction from Kaduna.

Often depicted as encapsulating the religious contradictions within Nigerian society, Kaduna's population is split between the two religious faiths.

In 1987, there was widespread rioting as Moslems burned down churches following the reported remarks of a priest who allegedly criticised the Koran. In January 1990, Christians demonstrated against what they perceived to be a Moslem-bias within the federal government; last September, around 1,000 Moslem students travelled from the nearby city of Zaria to protest outside the United States consulate against America's military presence in the Gulf.

Ambassador Jolly Tanko Yussuf, co-ordinator of the northern states for the Christian Association Of Nigeria, was detained for seven weeks by security forces in Kaduna following last April's coup attempt. He believes that "religious tension has increased in Nigeria, especially under the regime of General Ibrahim Babangida."

Leading Christians continue to complain about the government's 1985 decision to join the Organisation of Islamic Conferences, claiming this would undermine Nigeria's secular status; and they point out that Gen Babangida, the defence minister, the inspector-general of police and the chiefs of staff of the army, navy and air force are all Moslems.

There are equally radical voices on the Moslem side, urging believers not to vote for Christian politicians. Prominent Moslems often talk in terms of north against south and the need for the former to retain political control in the face of the latter's domination of the economy.

Concern over Moslem radicals has led the US to reduce its diplomatic presence in Kaduna while the Gulf crisis persists.

Along with the Americans, British citizens have been advised not to travel to the north of Nigeria, and those who do visit Kaduna have been told not to frequent hotels or restaurants.

The police have reacted by increasing security in the city and manning road-blocks between Kaduna and Zaria after Moslem prayers each Friday to forestall further student protests.

Many in Kaduna feel that these are unnecessary precautions and say that foreign diplomats misinterpret the situation.

As one respected academic in Kaduna explains, "the mass of Moslems and Christians are moderate and are oblivious to the differences that radical elements are attempting to exploit." Indeed, the impression of Kaduna is overwhelmingly that of a cosmopolitan city characterised by a radio-station which uses country and western music for its jingles. Kaduna's leading newspaper, the conservative New Nigerian, carries the raunchy Modesty Blaise strip cartoon.

But the cosmopolitan atmosphere may be a veneer wearing thin. A few minutes into a discussion and even moderate-minded observers begin to talk about how religion is gaining a higher profile. They blame politicians who, they say, are using religion as a platform to attract votes. Where the politicians lead, others will inevitably follow.

As the editor-in-chief of one Kaduna-based newspaper comments, "with a falling standard of living, people need an issue through which to vent their frustrations. That issue used to be ethnic identity – now it is religion."

■ PROFILE: PAN

Long road to the dream car

THE industrial base of Kaduna reflects the aspirations and failures of northern Nigeria. It is a city no better characterised than by the presence of a particular car. The Peugeot 504, in both saloon and estate versions, has been the workhorse of Nigeria for the past 15 years – but the time may be approaching to put it out to grass.

The car, which is pretty but stylistically dated, is assembled in Kaduna. The initial aim was for the gradual replacement of imported components by locally produced items, with the final goal of fulfilling a long-held national dream, the "Made in Nigeria" car.

When first brought on stream in 1975, the plant had a capacity of 60 cars per day. This was quickly increased to 120 and ultimately 240 units per day.

The shareholders of the parent company, Peugeot Automobiles Nigeria (PAN), have changed little since its inception. They include Peugeot Automobiles of France (40 per cent), the federal government (35 per cent), SCOA (5 per cent) and United Trading Company of Nigeria (5 per cent), with the remaining shares divided between parastatal companies and banks.

PAN has suffered more than most from the government's economic structural adjustment programme. Capacity utilisation has dropped from nearly 100 per cent in 1981 to less than 15 per cent last year, a figure which includes the production of a small number of Peugeot 505 saloons.

The decline in Nigeria's foreign exchange earnings in the mid-1980s and the sharp depreciation of the naira resulted in an inevitable collapse in demand.

In 1981, a Peugeot 504 was in reach of a middle-income earner, such as a teacher or a doctor, but today would represent many years income.

Peugeot management insists that price rises, with the cheapest model now selling for N119,000 ($12,200), have actually been reduced in dollar-related terms over the past ten years.

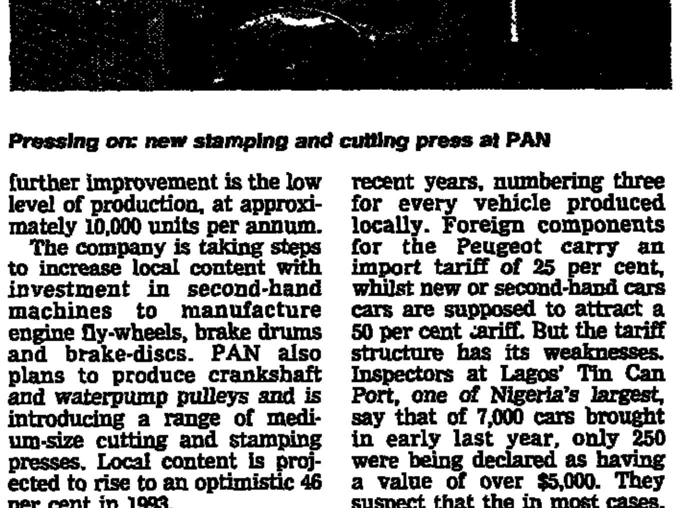
Nevertheless, for most Nigerians the dream of car ownership has been shattered. There is political pressure to cut prices which the economics of the company simply cannot accommodate.

At the same time, PAN has also been under attack for having to transform its operations from assembly to manufacture. After 15 years, components amounting to 70 per cent of the value of the 504 model are still being imported.

The company is undoubtedly a soft target for the critics. It is also, however, Nigeria's best chance for an indigenous car-manufacturing industry, and its prospects are hindered more by national economic decline than by reticence within the company.

PAN was achieving 30 per cent local content as far back as 1982, but the source of supplies dried up after the government introduced import licences for raw materials and reduced access to foreign exchange.

Local content dropped to 10 per cent in 1987, but has since been restored to 1982 levels as the move has been made towards a more liberal economy. The greatest obstacle to further improvement is the low level of production, at approximately 10,000 units per annum.



Pressing on: new stamping and cutting press at PAN

The company is taking steps to increase local content with investment in second-hand machines to manufacture engine fly-wheels, brake drums and brake-discs. PAN also plans to produce crankshaft and waterpump pulleys and is introducing a range of medium-size cutting and stamping presses. Local content is projected to rise to an optimistic 46 per cent in 1993.

In spite of these efforts, the company faces a precarious future. Car imports, especially of used vehicles, have increased dramatically in recent years, numbering three for every vehicle produced locally. Foreign components for the Peugeot carry an import tariff of 25 per cent, whilst new or second-hand cars cars are supposed to attract a 50 per cent tariff. But the tariff structure has its weaknesses. Inspectors at Lagos' Tin Can Port, one of Nigeria's largest, say that of 7,000 cars brought in early last year, only 250 were being declared as having a value of over $5,000. They suspect that the in most cases, values were under-declared and the correct duty was not paid.

PAN management point out that other developing countries which are promoting indigenous car-manufacturing industries, such as Brazil, Argentina and Malaysia, have either a total ban on imported cars or impose far higher tariffs.

While PAN's domestic market is undermined by cheap imports, exports are practically negated by the tariff barriers of neighbouring countries. The Economic Community of West African States has not helped – its rules demand that 35 per cent added value and 60 per cent of raw materials be sourced locally before a product can attract tariff concessions.

If the establishment of a car manufacturing industry is a government priority, policy changes are essential. The increasingly sophisticated, capital intensive, automated approach to manufacturing in developed countries means that the technology typical of the Peugeot 504 is the only one applicable to Nigeria's low volume potential.

The future of vehicle manufacturing depends upon some form of protection, which may not be viable under current government and World Bank-inspired economic thinking.

The alternative is, however, to accept vehicle manufacture as an unattainable dream and to settle for mere assembly of foreign produced vehicles.

William Keeling

POPULATION

The issue that really counts

FEW issues provoke as much controversy in Nigeria as the question of how many people live there. It touches the raw nerve of Moslem-Christian relations and risks exacerbating regional rivalry over the share of federal government revenues. Yet without an accurate count, blueprints for economic development can be little more than wishful thinking.

But in October, the government is to grasp the nettle. If all goes according to plan – and preparations have been under way since 1989 – Nigeria will have its first credible census. Three sample test runs have been conducted by the National Population Commission, headed by Alhaji Shehu Musa, a former secretary to the federal government. For three days, a small army of officials will collect data from 250,000 enumeration areas in an exercise that will have cost some N500m.

Current estimates of the population – the World Bank last year put it at 117m – are largely based on figures obtained in 1963, described as "the least unacceptable" of three post-independence counts.

The 1963 census put the population at 55.7m, and subsequent calculations initially assumed an annual growth rate of 2.5 per cent.

But in 1978, when the population was put at some 77m, government officials were taken aback after 47.5m Nigerians over the age of 18 registered to vote, well over the 38m that had been expected.

Given that about half Nigeria's population would have been under 18 – and assuming that the registration books were not cooked – the officials had to face the possibility that the 1978 population was close to 100m.

In the meantime, the population growth rate is thought to have risen to 3.2 per cent, and some observers believe that there could be as many as 150m Nigerians today.

Should this be true, Nigeria faces awesome challenges, ranging from food self-sufficiency to environmental degradation. Even if the 1985 estimate of "close to 100 million" by the National Population Bureau should prove accurate, projections are alarming.

According to the bureau, if the growth rate continues at over 3 per cent, Nigeria will have over 160m people in the year 2000, and 281m in 2015.

Some of the implications were spelt out by Mr Robert McNamara, the former president of the World Bank.

At a conference organised by Gen Olusegun Obasanjo, the former Nigerian leader, Mr McNamara pointed out that at the present rate of population growth, arable land per capita "will decline to 0.19 hectares from the current level of 0.3 hectares by the year 2000" – about the same as Somalia.

Meanwhile, agriculture's growth rate between 1980-88 averaged only 1 per cent. It has risen since the introduction of reforms in 1986, but Nigeria may be hard-pressed to sustain a rate of growth which at least matches the population increase.

If the experience of 1963 is any guide, however, all these warnings and calculations may take second place to gut political issues when the count gets under way.

The 1963 census gave the religious breakdown as 47.2 per cent Moslem, 34.5 per cent Christian, and 18.3 per cent "other". The main ethnic groups (percentages in brackets) were Hausa (20.9), Yoruba (20.3), Ibo (16.6) and Fulani (8.6), with 36 other groups making up the bulk of the balance.

The 1991 census, however, will not provide this breakdown. The government hopes to defuse religious and ethnic tensions by omitting questions on these subjects from the census questionnaire.

The government also hopes to have reduced a second factor which has contributed to past rigging. Population figures no longer have the same weight in the complex formula which determines each state's share of federal government revenue.

Nevertheless, it will be a major achievement if the count of Africa's most populous nation goes smoothly.

Michael Holman

The new city has constantly overshot deadlines, writes **Julian Ozanne**

Abuja: a capital still in the making

THE HUGE golden dome of black Africa's third largest mosque shimmers in the afternoon sunlight, radiating a soft light over the developing skyline in Abuja, Nigeria's slowly evolving *new federal capital*. Four pearl-grey minarets reach 100m towards the sky, each with a balcony for muezzins to call the faithful to prayers.

The existence of the National Mosque, one of the *few completed but not yet* functional buildings in Abuja, is symbolic of the the efforts of successive governments to move the capital from Lagos.

It stands as a statement of intent: one day, Abuja will indeed be the political and administrative metropolis of Nigeria.

But for some Christian southerners it also represents their fears that the move from Lagos will further strengthen the already powerful Moslem north.

A site has been selected for a *National Cathedral in Abuja*, but ground has not yet been broken.

Abuja remains largely a ghost-town of half-completed building sites, nameless highways which suddenly turn into *dirt roads and fly-overs* that stop in mid-air. Traffic is light, except for the brigades of bulldozers and diggers bearing the names of the construction companies building the new city: Julius Berger, Siemens, Dumez.

The decision to move the federal capital from the steamy, over-crowded unsanitary coast to the cooler greenfield site at Abuja, set in a valley surrounded by rolling hills, was taken in the mid-1970s by General Murtala Muhammed in the *midst of the oil boom*.

At that time it was already felt that Lagos, with its sprawling urban mass, bumper-to-bumper traffic jams, humid heat and vast distances from the northern regions made it *unsuitable as a capital*.

A new location was chosen in the middle of the country with abundant space to plan a political and administrative city in the style of Brasilia, which one day may accommodate 3m people.

Fifteen years, four presidents and at least $4bn later, *Abuja is still only a capital in the making*, having constantly overshot various deadlines set by previous governments for the final move.

> **For some Christian southerners, Abuja also represents their fears that *the move from Lagos will strengthen* the already powerful Moslem north**

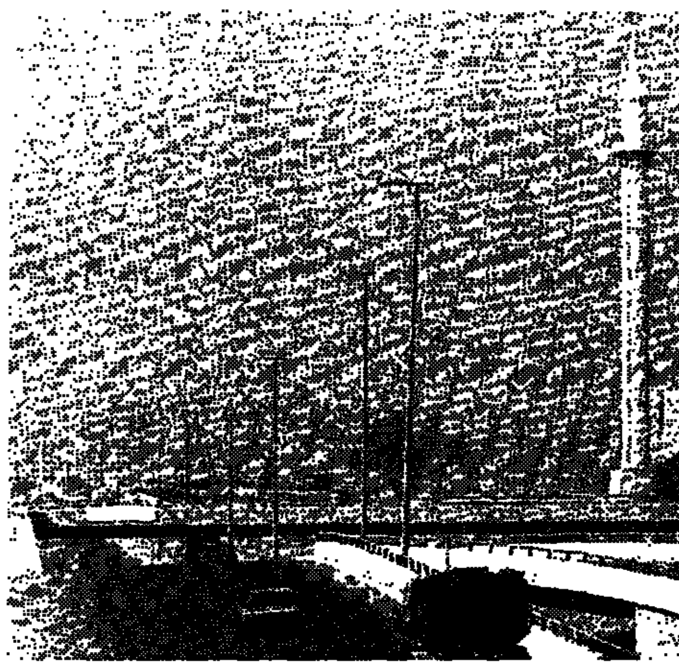
Abuja's fortunes have ebbed and flowed with the world oil price and Nigeria's rollercoaster economy. When there is a windfall from oil, the pace of *construction speeds up*. When there is a slump, building is put on hold.

President Ibrahim Babangida's government hopes to move the capital to Abuja by 1992, the final year of the transition to civilian rule. The current National Rolling Plan allocates *N2.3bn to Abuja for* 1991-93, but it was understood that the windfall from higher oil prices resulting from the Gulf crisis would go towards the speedy development of the city. With lower than anticipated *oil prices this year*, a move next year now looks optimistic.

The transfer of the Ministry of External Affairs to Abuja, which was completed in January, was meant to encourage *foreign diplomatic missions to* speed up office and residential development in Abuja's diplomatic enclave.

So far, however, most foreign embassies seem content to work through the External *Affairs liaison office in Lagos* or to fly up to Abuja when absolutely necessary. Most missions are waiting until it is clear that the full move will coincide with the transfer of the presidency.

One problem in developing the new federal capital has been the poor level of private sector investment. One exception has been the construction of the $350m-$400m Nicon Nogo Hilton Hotel, a joint venture between Noga Hotels, which owns 25 per cent, and the government-owned investment company Nicon. Run by Hiltonunder a management contract, the 817-room hotel, with casino and extensive conference facilities, is one of the best equipped and managed in Africa. Some commercial banks and insurance companies have opened branches, but the government has borne the full costs of property development and the provision of housing, health, education and transport as well as basic infrastructure.



Black Africa's third largest mosque is one of the few completed buildings in Abuja, though it is not yet functional

Travellers' tips

WITH seven federal ministries now operating from Abuja, a trip to the federal capital is increasingly necessary for foreign businessmen. A few tips:

● **GETTING THERE:** the drive is not as punishing as many make out – eight hours on fairly good roads. On bad days, when flights are cancelled or heavily delayed, driving can be as fast as flying.

However, now that several new private airlines are operating flights, air travel has improved enormously. ADC, Concord, Okada as well as Nigeria Airways all fly to Abuja, *and on some days* there are as many as six flights.

It is still inadvisable to reserve or buy your ticket *beforehand. Go to the airport,* confirm the aircraft is actually going to fly and buy your ticket on the spot. Try to travel in the early part of the week. Many government offices close on Friday as officials head back to Lagos for the weekend.

● **ACCOMMODATION:** at Abuja airport you can get a complimentary shuttle bus to the luxurious Nicon Noga Hilton (tel 09-523 1811, tlx 71504). Other good hotels are The Sheraton and Towers Hotel (tel 09-523 0225, tlx 91520) and the less expensive Agura Hotel (tel 09-234 1753, tlx 71496).

● **MINISTRIES:** seven federal ministries have now officially moved to Abuja: Federal Capital Territory (tel 09-234 1295), Agriculture (tel 09-234 1931), Internal Affairs (tel 09-234 1145), Industries, *Trade (tel 09-234 1884), and* External Affairs.

Another victim of the poachers

WILDLIFE

Greed versus nature

AS THE early African sun bursts through the hazy harmattan morning, a pair of waterbuck graze uneasily in the lush green fadama swampland of Yankari Game Reserve, in Bauchi state, northern Nigeria.

Dawn in the park is still and quiet, but the proud male buck, with tall ringed horns and fine hair streaming down his muscular neck, stands erect, on guard, as his mate chews nervously at the moist grasses.

These antelope, which once roamed the wooded savanna and tall swamp forest of Yankari in large herds, are now broken up into small family groups and pairs to protect them from the carnage of poaching which has decimated the reserve's wildlife.

A few miles away, vultures hover above the acacia scrubland. As we approach on foot, the tracks of hyena, jackal and civet cats can be seen in the dry, *dusty land*. And then, closer, the pungent, choking smell of rotting elephant flesh.

The elephant bull was 30 years old and reaching his prime when he was slaughtered at the beginning of January. *Reserve game rangers* believe he was brought down by poachers, using home-made guns with poisoned bullets, for his 7kg of ivory.

Four weeks later, the tough hide has withered over the *skeleton and is stained with* the white droppings left by vultures still feeding on the decaying carcass.

Yankari still supports one of the *largest* elephant herds in West Africa, estimated at about 400, as well as dwindling numbers of buffalo, lion, hartebeest, water buck and roan antelope.

But over the last decade its once *teeming wildlife* population has been under continual assault from human greed and encroachment, ruthless poaching and gross mismanagement and misappropriation of funds by government officials.

That the park, its wildlife and unique vegetation survive at all is due to a small band of highly dedicated Nigerian game warders and the efforts of the Nigerian Conservation Foundation, with some help from international donors. London Zoo, for example, *recently donated old uniforms* for the game guards.

The 1980s dealt an almost fatal blow to Yankari, an area of 2,244 sq km.

In 1983, rinderpeste wiped out sizeable numbers of buffalo *and antelope. But poaching has* been even more severe.

Giraffe, ostrich, cheetah, African hunting dog and red fronted gazelle have all become extinct in the park. The once huge buffalo and roan antelope herds have been reduced to a fraction of their original numbers. Elephant, water buck, crocodile and hippopotamus are under threat. The large carnivores – lion, hyena and possibly a pair of leopards – are suffering as their natural food supply is killed off.

Illegal *grazing, deliberately* lit bush fires and deforestation are destroying the habitat.

Much of this could have been prevented if the state-owned company which runs the reserve had put money into *anti-poaching activities, con*servation work and developing a sustainable agricultural strategy for the increasing number of farmers who have settled around the park.

Instead, money was *poured into expensive developments at* the 113-roomed camp. The results of that kind of expenditure, which offered the opportunity for huge kickbacks to government officials, remain today. A hardly used squash court was built at a cost of about $30,000. Plans were even being developed for a golf course and satellite television.

Discos and parties raged at the Lodge. One previous manager was dismissed after he was found with four elephant tusks in the back of his car.

The effects on wildlife management were devastating. Salaries went unpaid, vehicles were not repaired, roads deteriorated and demoralisation set in.

"There was no management plan for conservation and wildlife so all developments were problem orientated. It was crisis management", says the head of wildlife for Bauchi state, Mr Stephen Haruna.

A nadir was reached in 1988 when 57 elephants were poached.

Since then things have improved. Anti-poaching activities have vastly increased and have proved successful. Only four elephants were lost in 1989 and 1990, and convictions of poachers are rising.

There are also hopes the reserve will soon become a national park under federal rather than local government authority and that the lodge will be privatised.

Yankari has tremendous potential. Wildlife stocks could quickly improve, given proper management.

The dilapidated bungalows and facilities could be renovated to turn the lodge into an attractive profit centre, luring visitors to the park and the *natural warm water spring* which flows from a sheer sandstone cliff below the campsite. And in spite of poaching, the reserve still has a respectable wildlife population and 352 species of birds recorded.

But before that can happen, government will have to take important policy *decisions*. Developing a sustainable agricultural support zone around Yankari for the farmers will also be crucial to prevent human encroachment. Local inhabitants will also have to see *the tangible economic* benefits from wildlife if the reserve is to survive.

"The park has got to make more money than if you turned it over to agriculture, otherwise it is immoral", says Mr Francis Hurst, a wildlife officer.

Julian Ozanne